One Bank One UniCredit

2016

Reports and Accounts

Welcome to UniCredit Factoring

We are a simple pan-European commercial bank with a fully plugged in Corporate & Investment Banking, delivering our unique Western, Central and Eastern European network to our extensive client franchise.

We offer local expertise as well as international reach. We accompany and support our 25 million clients globally, providing them with unparalleled access to our leading banks in 14 core markets as well as to another 18 countries worldwide.

Our vision is to be "One Bank, One UniCredit".

Everything we do to implement our vision is based on our Five Fundamentals.

Our top priority, every minute of the day, is to serve our customers the very best we can (Customers First).

To do this, we rely on the quality and commitment of our people (People Development), and on our ability to cooperate and generate synergies as "One Bank, One UniCredit" (Cooperation & Synergies).

We take the right kind of risk (Risk Management) whilst being very disciplined in executing our strategy (Execution & Discipline).

Life is full of ups and downs.
We're there for both.

Welcome to UniCredit

A shared vision based on Five Fundamentals.

As a strong pan-European Group with leading banks in 14 core markets, and operations in another 18 countries, we perfectly embody our vision to be “One Bank, One UniCredit”. A simple pan-European commercial bank enriched by multiple cultures where everybody shares the same vision and are guided by our Five Fundamentals: Customers First, People Development, Execution & Discipline, Cooperation & Synergies and Risk Management.

Corporate Officers and General Management

Board of Directors

Alessandro Cataldo	**Chairman**
Maurizio Guerzoni	**Vice-Chairman**
Renato Martini	**Chief Executive Officer**
Lucio Izzi Renzo Ivo Signorini Giuseppe Cristiani Pasquale Antonio De Martino	**Directors**
Romano Andrea Ernesto	**Secretary**

Board of Statutory Auditors

Vincenzo Nicastro	**Chairman**
Roberto Bianco Federica Bonato	**Standing Statutory Auditors**
Paolo Colombo Massimo Gatto	**Alternative Auditors**

General Management

Renato Martini	**Chief Executive Officer**
Pietro Zardoni	**Vice General Manager Head of Commercial Department**
Elvio Campagnola	**Vice General Manager Head of Marketing**
Marco Lotteri	**Vice General Manager Head of Credit and Risks Department**
Silvio Felice Asti	**Head of Planning, Finance and Administration**
Debora Gatti	**Head of Human Resources**
Antonio Moretti	**Head of Organisation and Logistics**
Andrea Ernesto Romano	**Head of Legal Department**
Giancarlo Zaccaro	**Head of Debtor Management Department**

UNICREDIT FACTORING S.p.A.
A sole partner company belonging to the Gruppo Bancario UniCredit (Unicredit Banking Group)
Listed in the Register of Banking Groups code.2008.1
Share capital Euro: 414.348.000 fully paid in
Legal reserve 27.736.464 Euros
Registered offices in Milan - 20122 Milan Via Livio Cambi, 5
Tel. +39 02 366 71181 - Fax +39 02 366 71143
R.E.A. nr. 840973
Tax code and VAT nr. 01462680156
Enrolled in the Register of Financial Brokers ex art.106 under nr. 42
e-mail: info.ucfactoring.it@unicreditgroup.eu
website www.unicreditfactoring.it
Certified Electronic Mail: comunicazioni.ucf@pec.unicredit.eu

Customers First

Our top priority, every minute of the day, is to serve our customers the very best we can. We provide solutions for a wide variety of different personal finance and enterprise business needs. Our products and services are based on our customer's real needs and aimed at creating value for both individuals and businesses.

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People Development

Our success depends on the quality and commitment of our people. That's why we have such a strong commitment to developing and empowering our teams. We must make sure we can attract and retain the very best talent and we must create and nurture an environment and culture in which our staff can grow, thrive and reach their full potential.

Agenda of the Ordinary Shareholders Meeting

UNICREDIT FACTORING S.p.A.
A UniCredit Banking Group Company
Listed in the Register of Banking Groups
Registered Offices in Milan, Via Livio Cambi, 5
Share Capital 414.348.000,00 Euros, fully paid-in
Enrolment number in the Milan Business Register,
Fiscal Code and VAT Number 01462680156, R.E.A. nr. 840973

Our shareholders are convened to the Ordinary General Shareholders' Meeting to be held on **11th April 2017, at 14.30,** at the Company's registered offices in Milan, Via Livio Cambi 5, at first call and, if necessary, at second call on 12th April 2017 at the same time, same place, to deliberate the following:

AGENDA

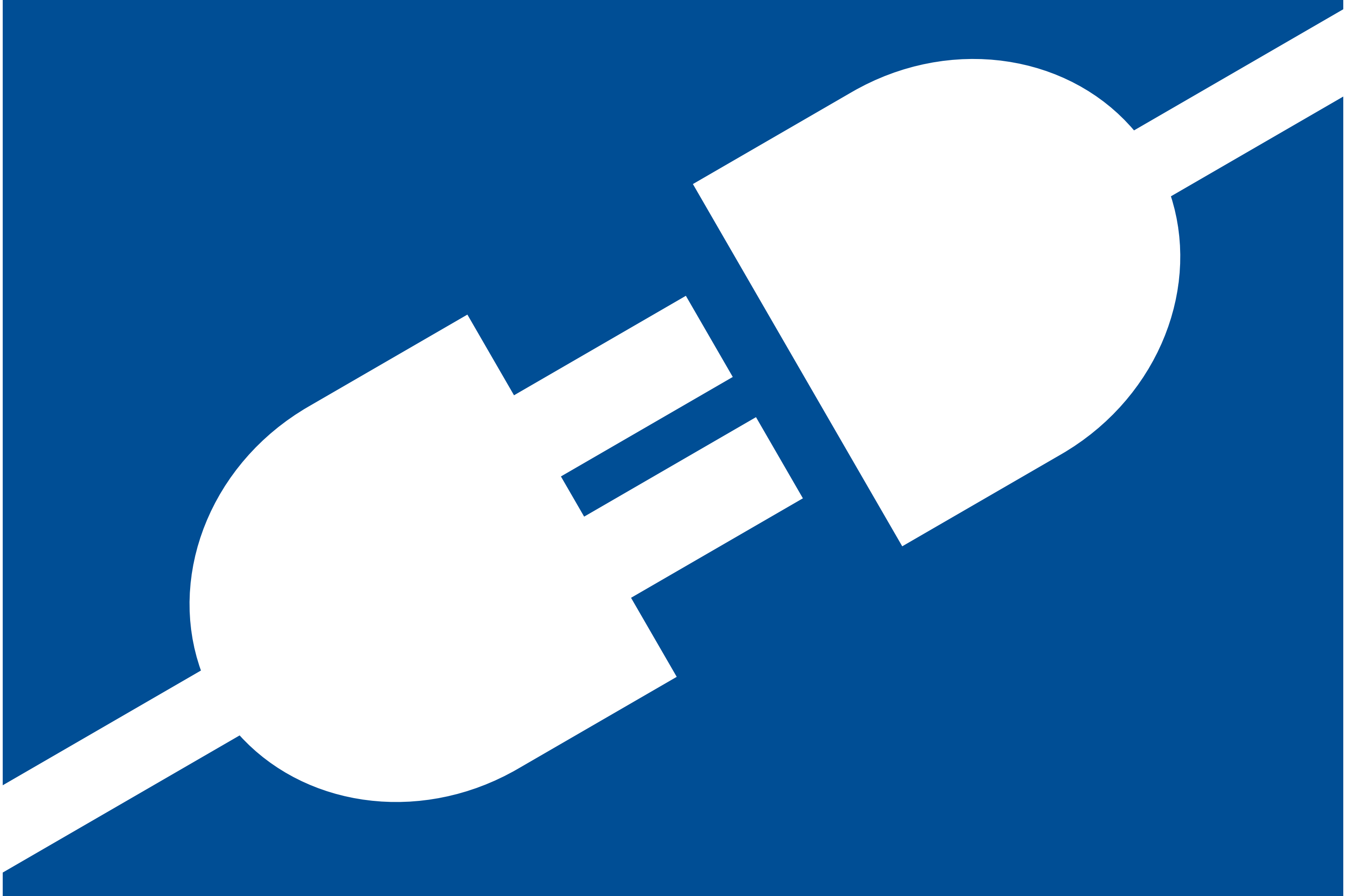
1. Approval of the Financial Statements for the period ended at 31.12.2016. Reports of the Board of Directors, the Board of Auditors and the Independent Audit Company. Relevant resolutions.
2. Nomination of a Director to integrate the Board of Directors.

Pursuant to Art.13 of the Articles of Association, all shareholders with voting rights, listed in the shareholders' book, may participate in the Meeting.

Milan, 23th March 2017

The Chairman
Alessandro Cataldo

Cooperation & Synergies



Our ability to cooperate and generate synergies across departments and geographies is what makes us unique and allows us to be “One Bank, One UniCredit”. We are a true pan-European bank and we work seamlessly across the Group.

Directors' Report on operations

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N.B.:
Possible lack of balancing between the data reported in the Directors' Report depends exclusively on potential rounding.

Directors' Report on operations

Synthesis of results

Although to a lesser extent with respect to the Eurozone, in 2016 the Italian economy consolidated the first signals of recovery registered in the previous year with a 1%ic GDP growth, (based on precise data relating to the number of working days) after the 0.5% of 2015, thanks once again to domestic demand, private consumption in particular, whereas exports showed a slow-down in line with the weakening of worldwide demand. Bank loans to the private sector confirmed the moderate recovery with growth rates touching 2% at year end for families, while loans to companies indicated a slower and more fragile revival. The factoring sector progressed more favourably with a 9.5% upswing in turnover and a lending consistency 8.4% higher than at the end of the previous year.

In this context our Company, while facing the particularly accentuated competition characterising the lending segment, registered, all in all, better growth rates than the average segment figures, thus confirming our second place in the relevant ranking. Turnover flow stood at 35.1 billion (+8,6%), corresponding to a market share of 17.3%, whereas the end-of-year receivables amounted to 9.2 miliardi, with a 10.3% growth rate and an 18.8% market share. The development of our business activities was achieved by preserving and, indeed, improving the already high credit quality.

The operational structure, considerably strengthened over recent periods, has stabilized at an average workforce of around 300 units (in terms of Full Time Equivalent). The last few months have registered the first exits linked to the implementation of the Group-based Strategic Plan determining a reduction of 6 FTEs regarding the end of year positions, a reduction partially leveled out during the first part of this year.

The marked upturn in operations, even more significant if measured in terms of average loan balances, resulted in a limited growth in revenue due to a further, substantial contraction in spreads and unitary fees, attributable not only to market factors but also to customer re-arrangement effects. The brokering margin – 200 million – grew by 1.8% compared to the previous year, a result which, in any case, allowed us to absorb increased costs and maintain operating income unvaried. On the other hand, net profit suffered from the impact of greater costs ccompared to the the previous year, due to adjustments to receivables, which in 2015 had benefitted from considerable, unrepeatable upturns, allocations and extraordinary integration costs for around 14 tax-free million, thus reaching 86.5 million, against the 100 million of the previous year.

The main operational indicators were affected by income statement trends remaining, however, at excellent levels. The cost/income ratio, though on the upturn, stood at 24.1% and the ROE (Return on equity) fell only slightly (from 15.9% to 13%), while the productivity indicators, showing an average 4.9% increase in terms of turnover and a downturn in revenue. With respect to risk indexes regarding assets the effect produced by impaired receivables on the total diminished (from 0.61% to 0.50% for the non-performing and from 3.16% to 3.06% for the total impaired receivables at book value), whereas hedging registered a further improvement regarding the non-performing (from 80 to 83%, also considering the partial write-offs) and a substantial stability with respect to the other categories.

Net equity stood at 747 million, corresponding, after deducting 70% of the profits to be distributed as dividends, to a Class 1 basic capital of 686 million – a 4% upswing compared to the end of 2016. Bearing in mind that the total weighted assets registered the same increase, the CET 1 (Common Equity Tier) remained stable at 10%.

Finally with respect to prospects for the current year, in a scenario which should confirm the moderate recovery already in progress, we expect to witness a further improvement in operational volumes, by intensifying even more our collaboration with the Parent company's network and by developing new trade opportunities within the framework of reverse factoring and international commerce.

Principal corporate data

Operating data

(€ million)

	PERIOD		CHANGE	
	2016	2015	ABSOLUTE	%
Turnover	35,055	32,283	+2,771	+8.6%
Outstanding	11,682	11,107	+576	+5.2%

Financial data

(€ million)

	PERIOD		CHANGE	
	2016	2015	ABSOLUTE	%
Brokering margin	200	197	+3	+1.8%
- net interest	*125*	*120*	*+5*	*+3.9%*
- net commission	*62*	*68*	*-6*	*-8.7%*
Operating costs	-48	-45	-3	+7.5%
Operating income	152	152	+0	+0.1%
Net operating income	136	147	-10	-7.0%
Net profit	**86**	**100**	**-14**	**-13.7%**

Asset and equity data

(€ million)

	BALANCE AT		CHANGE	
	12.31.2016	12.31.2015	ABSOLUTE	%
Total assets	9,367	8,507	+860	+10.1%
Receivables	9,296	8,426	+870	+10.3%
Net equity	**747**	**730**	**+16**	**+2.2%**

Structure data

	DATA AT		CHANGE	
	12.31.2016	12.31.2015	ABSOLUTE	%
Number of employees (Full time equivalent)	296	302	-6	-1.9%
Number of trading points	13	13	-	-

Profitablity indexes

	PERIOD		
	2016	2015	CHANGE
ROE [1] (return on equity)	13.1%	15.9%	-2.8
Cost/income	24.1%	22.8%	+1.3

Risk indexes

	DATA AT		
	12.31.2016	12.31.2015	CHANGE
Net non-performing receivables /receivables	0.50%	0.61%	-0.11
Net impaired receivables /receivables	3.06%	3.16%	-0.10

Productivity indexes

(€ million)

	PERIOD		CHANGE	
	2016	2015	ABSOLUTE	%
Turnover per employee	117.1	113.1	4,0	+3.5%
Brokering margin per employee	0.67	0.69	-0,02	-3.0%

Capital ratios

(€ million)

	DATA AT		CHANGE	
	12.31.2016	12.31.2015	ABSOLUTE	%
Supervised assets	686	660	+26	4.0%
Total risk-weighted assets	6,861	6,594	+267	4.1%
CET 1	10.00%	10.00%	0.00%	

1. The equity used in the report refers to the end of period figures (excluding period profits).

Directors' Report on operations (CONTINUED)

The External Scenario

Macro-economic scenario

In 2016 global recovery at was ongoing at 3%, although performances in the various economic areas was extremely heterogenous. In the advanced economies recovery accelerated faster than expected, sustained by a revival of manufacturing activities and no reduction in stocks. In Japan, a few statistical reviews led to an upturn in growth estimates compared to previous forecasts, while both the United States and the British economy registered ongoing and sustained upswings – despite the Brexit shock. In emerging markets, the growth scenario was far more diversified. The Chinese economy, constantly sustained by an expansionary fiscal policy and by a rapid credit increase, grew at a rhythm of around 6.5%. The financial activity was, on the other hand, weaker than expected in various Latin American countries currently in recession, i.e. Argentina and Brazil, and likewise in Turkey.

In the Eurozone, recovery remains on the whole moderate. Despite Brexit ad the ongoing weakness of worldwide trade, the confidence of companies and families in the Eurozone remained stable. During 2016 the GDP grew by around 1.7% and the most recent PMIs (small and medium enterprise) indicate that growth was sustained both by domestic and the cross-border demands towards the end of the year. This upswing was, for the second consecutive year, higher than the trend rate, even though the pertinent economic recovery is still weak when compared with historic standards.

Inflation is beginning to increase. In December the relevant rate in the Eurozone rose to 1.1%, chiefly due to the oil price hike sparked by the OPEC agreement in November. With respect to underlying inflation, no specific signs of improvement were observed regarding the cyclic minima reached in the early months of 2015. Three factors explain the flat trajectory of the underlying inflation: 1) the lack of response in salaries to improvements in employment figures; 2) the limited impact of import price changes, and 3) the secondary effects linked to the price of oil and other raw materials. In its December meeting, the BCE decided to extend its asset purchasing from March 2017 to December 2017 but – and this is the main news item – at the reduced rate of 60 billion Euros per month.

In Italy 2016 ended with a GDP on the upturn by 1% (on the basis of precise data according to the number of working days), an acceleration compared to 2015 (when the GDP increased by 0.6%). Domestic demand, and in particular private consumption, supplied the main thrust underlying this upturn, whereas exports showed a slowdown, in line with global demand. The last few months of last year were characterized by a return of confidence, chiefly in manufacturing enterprises, mainly boosted by an revival of cross-border orders and, to a lesser degree, by a stable domestic demand. These positive signals were reflected by a sustained increase in the industrial production of the last quarter. The indications of stabilisation in industry are encouraging with respect to an acceleration in investments (particularly in machinery and equipment), sustained, not only by the recovery of global demand, but also by an improvement in company basics and by the strengthening of fiscal incentives for investments. On the other hand, the revival of private consumption might lose momentum. Consumer confidence is deteriorating compared to the maximum rates at the outset of last year, and the desire to save is increasing, while the gradually growing inflation is likely to partially eat away the purchasing power of families.

The banking context

Towards the end of 2016 consolidation of the bank lending recovery in the Eurozone recovery continued, boosted by the improvement in loans to companies, which at year end stood at around 2.0% on an annual basis, against end of 2015 0.3% reduction. Loans to families, by contrast, continued to expand by almost 2.0% annually. In Italy the growth rate in lending to families was in line, during the year, with the Eurozone (+1.9% a/a the December growth rate), whereas loans to companies showed a slower and more fragile revival.

With respect to the performance of the collection system, at the end of 2016, while in other main European countries the growth process began to consolidate, in Italy bank deposits, even though on the upturn compared to 2015, did not indicate a decisive improvement trend. For the entire year, the increase in deposits benefitted chiefly from the net recovery of on demand deposits, to the detriment of the average/long term collection (including bonds), consistent with the low remuneration which continues to characterize bank liabilities. The end of 2016 saw a substantial stabilisation of the bank interest rates both on loans and deposits, on historically low levels; this trend continues to reflect the sharply expansive pitch of the monetary policy pursued by the BCE, destined to impact the entire 2017. As a result bank spreads (the difference between the average rate on loans and the average rate on deposits) was substantially stable throughout 2016.

In the second half of 2016, financial markets in the Eurozone were extremely volatile following the Brexit referendum results, the political uncertainty regarding the US elections and the Constitutional referendum in Italy. The most significant impacts in terms of performance on stock markets were observed in Italy, where investors' apprehensions regarding banking system developments accentuated a feeling of reluctance to take risks. In December 2016 the Italian stock exchange, although in recovery compared to the third quarter, registered a 10% drop against the December 2015 figures.

The factoring market

While still facing a somewhat critical macroeconomic scenario, the factoring market resisted better than the banking sector. On the basis of the data supplied by the category association Assifact (on a 31 member sample) turnover registered an upturn compared to 2015 (+9.5%), while the outstanding and funded grew, respectively, by 6.1% and 8.4%, despite the higher debt payments by State Organisations, which continued also in 2016.

The market remained highly competitive and concentrated. Indeed, the first four competitors holding a market share of 66.1% of the turnover, a slight downturn compared to the 66.3% of the previous year. Banking group companies, however, reported a lower increase in turnover (+8,7%) with respect to captive companies (+13.6%) decreasing their market shares to 82.5% against the 83.2% of 2015.

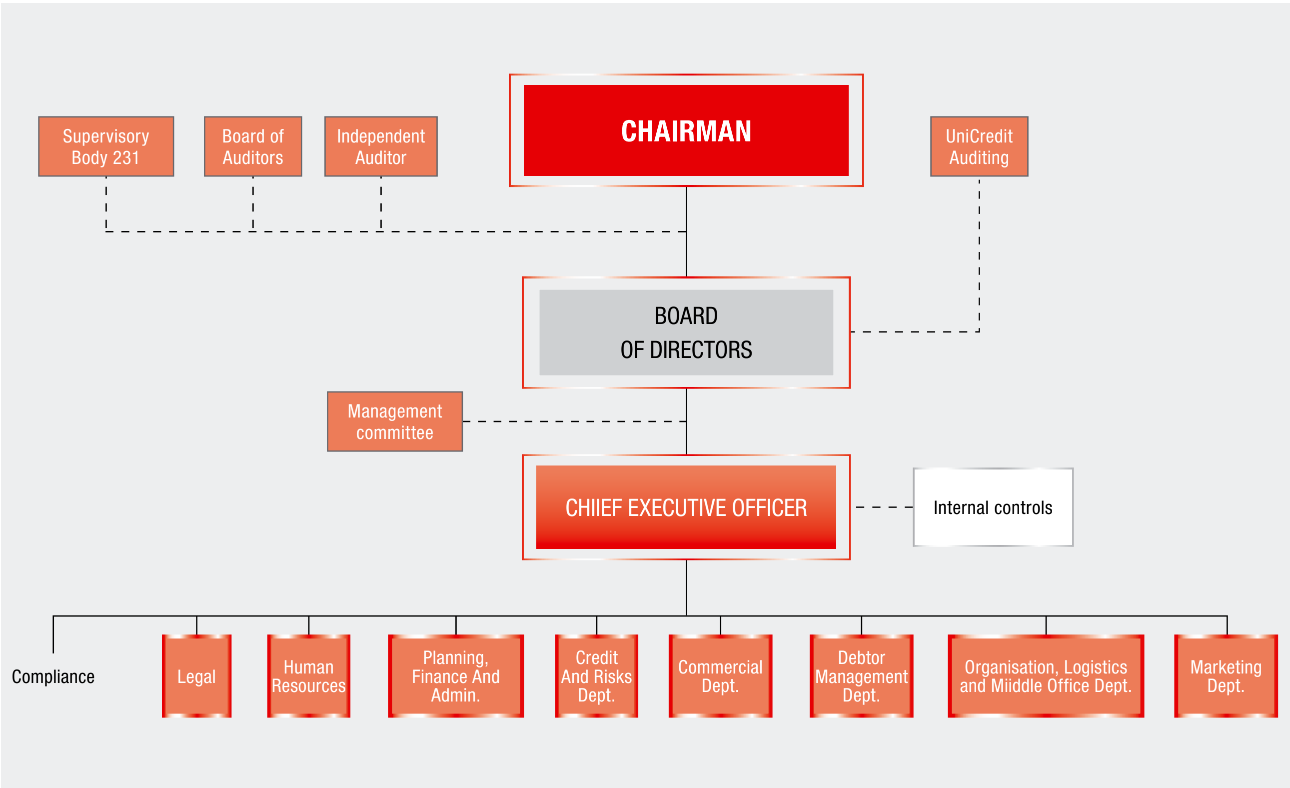
Company Activities

UniCredit Factoring is the Italian UniCredit Group company specializing in the non-recourse and with-recourse purchase of trade receivables assigned by its customers which, besides optimizing their equity structure, can make use of a series of correlated services such as collection, management and insurance regarding the foregoing receivables.

Our company is active on both the domestic and cross-border markets. For both types of operation the Company, having developed a strong partnership between its own commercial network and the Group's, is also supported by Group-owned banks.

Organisational structure

With respect to the end of last year, at first report level, our Company's organizational structure, illustrated here below, has not been modified.



Directors' Report on operations (Continued)

Commercial management eliminated from the company structure the New Customer Development Area, distributing the managers within the Territorial Areas, therefore the distribution network comprises the following 8 areas.

- Investment Banking;
- Lombardia;
- North-East;
- North-West;
- Centre - North;
- Centre;
- South and Sicily;
- International.

The Credit Operations Management, directly subordinated to the Credit and Risks Management, whose duties include the assessment of the creditworthiness of the assignor and debtor counterparts, has modified the logic governing the internal distributon the credit files with a view to greater supervision of the risks in line with the new electronic platform, while maintaining unaltered corporate structures.

The remaining company managements have not modified their internal structures.

Resources

At December 31, 2016, Unicredit Factoring's human resources numbered 296 Full Time Equivalent (FTE), with a 6 unit reduction, amounting to 1.9%, compared to the previous year. The decrease was substantially caused by the first exits linked to agreements undersigned in order to implement the Group's Strategic Plan registered during the last few months of the year.

The considerable attention paid to the fortification of key structures such as the Commercial and Credit Managements is ongoing, in order to boost the implementation of new trade and strategic projects in synergy with the Bank. The selection, management, training and human resources development process was carried out with particular care according to Group models. In the recently concluded fiscal year also the Legal and Compliance Managements were strengthened.

Breakdown by age, gender and classification

With reference to distribution by age, an increase was registered in the most senior group group. The average age of our employees highlighted a slight increase compared to the average reported last year, moving up from around 45 to 46.

Breakdown by age group

	12.31.2016		12.31.2015		CHANGE	
	FTE	BRKDN. %	FTE	BRKDN. %	ABSOLUTE	%
Up to 30 years	3	1.0%	7	2.3%	-4	-57.1%
From31 to 40 years	78	26.4%	85	28.0%	-7	-7.8%
From 41 to 50 years	122	41.2%	122	40.3%	+1	+0.4%
Over 50 years	93	31.4%	89	29.4%	+4	+4.8%
Total	**296**	**100.0%**	**302**	**100.0%**	**-6**	**-1.9%**

The contractual classification of the Company's human resources showed an increase chiefly in the percent incidence of 3rd and 4th Level middle managers and a decrease in managers. The increase - even though minimum - in the number of middle managers was mainly due to the new appointments of high-profile professional figures coming from both the Holding and the outside market.

Breakdown by category

	12.31.2016		12.31.2015		CHANGE	
	FTE	BRKDN. %	FTE	BRKDN. %	ABSOLUTE	%
Managers	15	5.1%	17	5.6%	-2	-11.8%
4th and 5th level executives	96	32.4%	95	31.4%	+1	+1.3%
2nd and 3rd level executives	81	27.4%	82	27.0%	-1	-0.7%
Professional profiles	104	35.1%	108	35.9%	-4	-4.1%
Total	**296**	**100.0%**	**302**	**100.0%**	**-6**	**-1.9%**

In conclusion the table here below indicates the breakdown of human resources between women and men.

Breakdown men/women

	12.31.2016		12.31.2015		CHANGE	
	FTE	BRKDN. %	FTE	BRKDN. %	ABSOLUTE	%
Women	100	33.8%	106	35.1%	-6	-5.5%
Men	196	66.2%	196	64.9%	+0	+0.0%
Total	**296**	**100.0%**	**302**	**100.0%**	**-6**	**-1.9%**

Management performance

In order to render even more evident our aim to reward performance by improving differentiation based on merit we endeavoured to fortify a more rigorous approach to the assessment of performance by considering not only the targets achieved but also the procedures used and by contextually defining personalised career and development plans. This approach is also orientated towards giving ever increasing control to managers regarding decisions concerning their collaborators.

The Group instruments, Group Performance Management and UniCredit Performance Management, represent the most appropriate means for sustaining this performance management procedure.

Development of human resources

The capacity to develop skills, attitudes and performance is, nowadays, a strategic feature underlying the excellence of our company's results. It requires an increasingly targeted investment in an upgrading and self-development approach promoting awareness and responsibility in our collaborators at all levels.

To this end in 2016 we aimed at valorizing our best key players, in order to plan concrete career paths by promoting their experience, skills and potential.

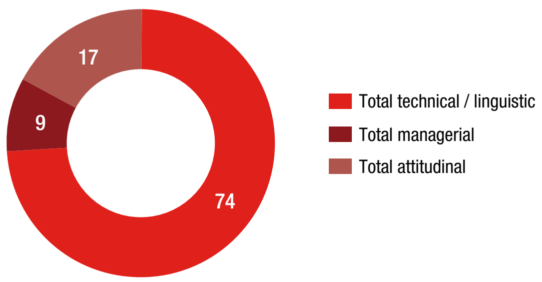
In this context the ongoing attention paid to the 'population of Talents' must be underlined, so as to build plans to upgrade their value and promote initiatives able to give them more adequate visibility and allow them to compete in challinging situations.

With respect to Training, in 2016 we continued to invest in projects defined according to the principal needs encountered by employees during their professional development and, to be more specific, three, main guidelines were maintained:

- Management;
- Technical/linguistic;
- Attitudinal.

Here below the percent distribution of training hours by typology (including e-learning and classroom courses. The data covers around 49% of our employees).

Training 2016 (%)



A large part of the 2016 training projects were implemented also with the help of means supplied by the "Banks and Insurance Fund" for Middle Managers and clerical staff, aimed at bolstering the continuous updating of specific skills.

Among the most important initiatives, also in 2016 our company participated in the Certification of Credit Skills, a project it has been carrying forward since September 2006 in collaboration with the Facoltà di Finanza Aziendale dell'Università di Udine, Università di Venezia Ca Foscari and SDA Bocconi di Milano. (Corporate Finance Faculty, University of Udine, University of Venice Ca Foscari and SDA Bocconi of Milan).

Among the relevant objectives path we underline, above all, the valorisation of the technical skills/knowhow pertaining to all the operators in the credit sector through the propagation of a homogenous method and the strengthening of such skills in order to offer greater support to our customers through a business contact with wide-ranging expertise.

During 2016 the company co-opted 26 units from the Commercial Management (as Co-ordinators, Account Managers and Assistants). 14 First Level Certificates an 6 First and Second level Certificates were obtained.

Further investment concerned 11 persons who achieved the Risk Diploma Path (Risk Academy) which, together with the Certification illustrated here above represents a very important part of the Group strategy aimed at creating an increasingly stronger risk culture.

Directors' Report on operations (Continued)

Particular attention was paid to the recent input of resources from the bank or from other external realities, which revealed the need to create a training course for introduction to the Factoring world. For this reason in 2016, a new internal training path was planned - the UniCredit Factoring Training Path - thanks to the colloboration of the Marketing, Organisational, legal and Human Resources Managements, involving 27 persons.

The allocation procedure is structured according to four phases:
1) on line: through the MyLearning platform using a course on factoring and its products
2) printed handouts: paper support explaining the process and products focussing on correlated impacts regarding procedures, instruments and contracts
   INTERMEDIATE TEST regarding the acquisition of the concepts illustrated in the course and in the handouts
3) Classroom: after passing the Test, our colleagues participated in two training days during which internal teachers explained the end-to-end process, the operational instruments used by the Company to manage both the product and the customer
4) on the job: affiancamento presso le strutture Crediti, Middle Office, Debtor Management.

Diversity and inclusion

In line with Group commitment to promoting diversity, considered at all levels to be fundamental to the generation of value beneficial to all our employees, customers, comunities and shareholders, our company has endeavoured to encourgage gender balancing, to overcome generation gaps and to support people with disabilities.

Within this framework, one of the priorities also pursued in 2016 was our contribution to the Group objective of achieving adequate gender balancing as regards leadership.

To support the foregoing, the Company adhered to a project designed by Hr Initiatives and Change Management called "W@W: Women at Work" which - through innovative procedures and instrunments - aimed at stimulating our female colleagues to promote greater awareness and new leadership models within the company structure.

21 volunteers participated in the project who, by putting themselves in the forefront, risponded enthusiastically to questionnaires, workshops and full days dedicated to the topic of awareness of their role in the Company.

A high priority is still collaboration with Managers to identify female colleagues with undoubted potential to be included in professional upgrading paths.

Supporting the balance between private and professional lives

A work environment which facilitiates the right balance between their private and professional lives, produces a positive impact on the welfare, motivation and productivity of our employees.

For this reason, our Company, also by sustaining Group initiatives, has encouraged the adoption of effective and flexible solutions for improving the balance between the private and professional lives of our staff, endeavouring to comply with their request and granting - when requested - flexibility regarding entry hours, new part-time plans and full-time re-entries. Furthermore, in 2016 a further teleworking contract was set-up for a disabled colleague.

Marketing

Also 2016 witnessed the fruitful and consolidated collaboration between UniCredit Factoring and UniCredit's commercial network which permitted factoring to position itself among the primary products within the framework of the offer dedicated to the corporate customers of the bank's Italian perimeter.

In answer to ongoing requests for training from the Bank's commercial area at the start of the year an online formative course was launched, entirely dedicated to factoring products and to how they can be proposed to customer companies. At 31/12/2016 around 2000 network colleagues had taken advantage of the course, thus witnessing the interest in this type of product.

In 2016 many new Reverse Factoring agreements were signed, in particular with various Category Associations, aimed at encouraging access to credit for companies belonging to the productive chains of medium-large companies located throughout the domestic territory. Among them we highlight the partnerships with Confindustria Venezia - Area Metropolitana di Venezia and Rovigo (Metropolitan Area of Venice and Rovigo) and with Confindustria Piemonte. During the year UniCredit Factoring also adhered to Bancopass, the free service developed by Assolombarda to facilitate and render more transparent and faster communication regarding the qualitative and financial characteristics pertaining to the associated companies able to take advantage of the streamlining of time-lines concerning the investigation of credit-line dossiers.

In the State Organisation sphere Unicredit Factoring continued its activity aimed at sustaining segment companies. In 2016 too our conventions with ASFO and AIOP Lazio were renewed, while a "Pilot Agreement" was signed with SORESA (Campania Region) aimed at regulating business relations with its suppliers. Bearing in mind the delicacy and importance of the credit support reserved to companies operating in the health sector, Unicredit Factoring's first priority is to endeavour to conclude new conventions with public counterparts in order to improve and facilitate access to credit for companies operating in the sector.

Our product catalogue was enhanced by the Assignment of receivables based on the DM (ministerial decree) July 6, 2012 incentives. The new product foresees the assignment, on a with recourse or non-recourse basis (also outright) and the potential prepayment of the consideration, of the receivables from the foregoing Decree, claimed by the assignor companies from the Gestore dei Servizi Elettrici (GSE) (Energy Services Manager). The introduction of the new product has led to the perfecting of several significant transactions with leading companies in the sector.

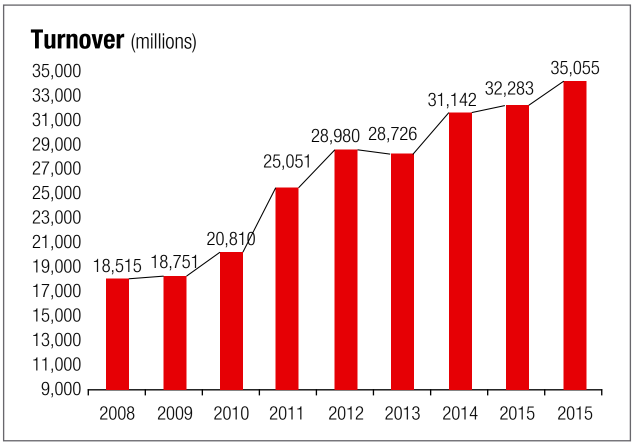
Moreover, various substantial reviews of the Assignments of VAT receivables and Purchase of Receivables products were undertaken. In particular, within the framework of the latter the possibility of granting and onerous payment deferral to assigned debtors was introduced.

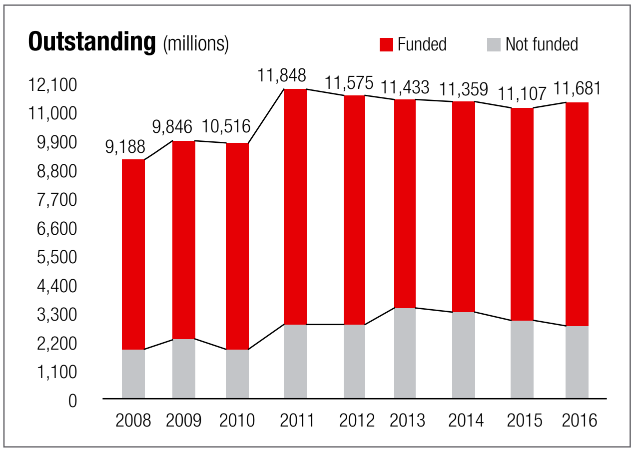
In 2016 greater impulse to external communication was implemented, with advertising initiatives contemplating Reverse Factoring and Supply Chain Finance in National financial publications and with the designing of new brochures for customers.

Turnover and total receivables

With respect to 2015, during the period the Company acquired a total turnover flow of 35,055 million, with an 8.6% upswing, almost in line with the overall market increase. This was reflected in a substantially stable market share, which stood at 17.3% compared to the 17.5% of 2015, and in the consolidation of our second place in sector *ranking*.

As highlighted by the following table, with-recourse transactions represented around 50% of the turnover and total receivables. This quota decreased considerably last year as regards both turnover, where with-recourse transactions registered a 5.7% downturn, and





the outstanding, which dropped by 8.7%, also due to the collection of lump-sum assigned receivables and only marginally to advances to the assignor.

(€ million)

	12.31.2016		12.31.2015		CHANGE	
	AMOUNT	BRKDN. %	AMOUNT	BRKDN. %	ABSOLUTE	%
Turnover	**35,055**	**100.0%**	**32,283**	**100.0%**	**+2,771**	**+8.6%**
- non-recourse	*18,102*	*51.6%*	*14,314*	*44.3%*	*+3,788*	*+26.5%*
- with-recourse	*16,953*	*48.4%*	*17,969*	*55.7%*	*-1,017*	*-5.7%*
Outstanding	**11,682**	**100.0%**	**11,107**	**100.0%**	**+576**	**+5.2%**
- non-recourse	*5,127*	*43.9%*	*4,553*	*41.0%*	*+574*	*+12.6%*
- with-recourse	*6,555*	*56.1%*	*6,553*	*59.0%*	*+2*	*+0.0%*

(€ million)

	12.31.2016		12.31.2015		CHANGE	
	AMOUNT	BRKDN. %	AMOUNT	BRKDN. %	ABSOLUTE	%
Turnover	**35,055**	**100.0%**	**32,283**	**100.0%**	**+2,771**	**+8.6%**
traditional	20,302	57.9%	17,527	54.3%	+2,775	+15.8%
outright and discounted purchase	10,093	28.8%	9,990	30.9%	+102	+1.0%
guarantee only	490	1.4%	508	1.6%	-18	-3.6%
maturity	4,170	11.9%	4,258	13.2%	-88	-2.1%

Directors' Report on operations (Continued)

The per product turnover indicates that, alongside traditional transactions, a consistent share is represented by outright receivable purchase transactions, reserved also to assignors claiming receivables from State Administration Organizations, which registered a 1.0% increase compared to the previous year. On the other hand, guarantee-only transactions decreased (-3.6%), together with maturity factoring (-2.1%).

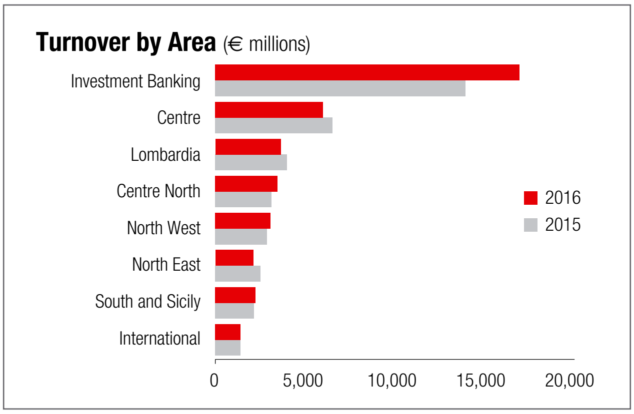
The sharing of turnover between domestic and international indicated a significant increase in the Import/Export component compared to a lower increase in the domestic part which fell by more than 2%.

(€ million)

	12.31.2016		12.31.2015		CHANGE	
	AMOUNT	BRKDN. %	AMOUNT	BRKDN. %	ABSOLUTE	%
Turnover	**35,055**	**100.0%**	**32,283**	**100.0%**	**+2,771**	**+8.6%**
Domestic	30,523	87.1%	28,879	89.5%	+1,644	+5.7%
Import	509	1.5%	344	1.1%	+165	+48.0%
Export	4,023	11.5%	3,060	9.5%	+962	+31.4%

The development of the Import/Export component benefited from the activities of the new International Business Management which considerably amplified the foreign correspondent Factor network, thus covering also geographic areas such as South America, Asia and China - previously unmonitored. Furthermore an internal International Advisory activity was set up to support all our colleagues belonging to the Commercial Network, allowing us to perfect complex cross-border operations.

In conclusion, we emphasize that the Investment Banking area alone generated, almost 40% of the overall turnover, significant upturn compared to the previous year. In percent terms, higher than average growths were reported in particular in the Centre-North area.



Concerning Total receivables, substantial stability in the past-due share was registered on an absolute value basis, whereas in proportion it decreased (from 29% to 27%), due to the increase in the managed outstanding, compared to the previous period.
The foregoing result was implemented thanks to the now consolidated efficiency and effectiveness levels achieved by the Debtor Management Department which implemented operations leading to significant results, also market-related, in terms of average collection of receivables.

This occurred by:
- increasing the management and monitoring activities relevant to receivables past-due and due to mature;
- continuing the recognition and analysis of receivables past-due for the longest terms and refining the measures taken;
- amplification of the the control levels relative to the operational management of the assigned receivables.

The overall activities illustrated here above, implemented by the Debtor Management Department contributed, furthermore, to the reduction of the risk levels inherent to the outstanding portfolio.

In conclusion the following tables illustrates the sharing of the total receivables by sector and branch of debtor's business activity.

Total receivables by sector of debtor's business activity

(€ million)

	12.31.2016		12.31.2015		CHANGE	
	AMOUNT	BRKDN. %	AMOUNT	BRKDN. %	ABSOLUTE	%
STATE ORGANISATION	3,887	33.28%	4,392	39.5%	-505	-11.5%
FINANCIAL COMPANIES	57	0.49%	74	0.7%	-18	-23.6%
NON-FINANCIAL COMPANIES	6,034	52%	5,428	48.9%	+606	+11.2%
FAMILIES	50	0.4%	81	0.7%	-31	-38.2%
NON-PROFIT INSTITUTES SERVING FAMILIES	69	0.6%	28	0.3%	+41	+144.4%
REST OF THE WORLD	1,569	13%	1,088	9.8%	+481	+44.3%
OTHER	16	0%	15	0.1%	+1	+5.3%
Total receivables	**11,682**	**100%**	**11,107**	**100.0%**	**+576**	**+5.2%**

The sharing by branch of business activity pertaining to the debtor counterparts indicates only “non-financial companies” and “family producers”.

Total receivables by unit of debtor’s business activity

(€ million)

	12.31.2016		12.31.2015		CHANGE	
	AMOUNT	BRKDN. %	AMOUNT	BRKDN. %	ABSOLUTE	%
AGRICULTURE, FORESTRY, FISHING	11	0.18%	14	0.25%	-3	-19.1%
ENERGY	807	13.27%	549	9.97%	+258	+47.0%
MINERALS IRON METALS AND OTHERS	168	2.77%	218	3.96%	-50	-22.8%
MINERALS AND NON-METAL, MINERAL-BASED PRODUCTS	57	0.94%	59	1.06%	-1	-2.2%
CHEMICALS	66	1.08%	61	1.11%	+4	+6.8%
METAL PRODUCTS EXC. MACHINERY	330	5.42%	355	6.44%	-25	-7.0%
ELECTRICAL MACHINERY AND SUPPLIES	88	1.45%	70	1.27%	+18	+25.6%
TRANSPORT MEANS	698	11.48%	936	17.00%	-238	-25.4%
FOODSTUFFS, BEVERAGES, TOBACCO	240	3.95%	177	3.22%	+63	+35.6%
TEXTILES, LEATHER, SHOES, CLOTHING	56	0.92%	57	1.04%	-1	-1.9%
PAPER, PRINTING PRODUCTS PUBLISHING SECTOR	54	0.89%	52	0.95%	+2	+4.1%
RUBBER, PLASTIC	35	0.57%	14	0.25%	+21	+148.9%
OTHER INDUSTRIAL PRODUCTS	27	0.45%	54	0.98%	-27	-49.5%
BUILDING AND PUBLIC WORKS	175	2.87%	188	3.41%	-13	-7.0%
BUSINESS SERVICES, RECOVERIES, REPAIRS	1,736	28.53%	1,590	28.86%	+146	+9.2%
HOTEL AND PUBLIC AGENCY SERVICES	10	0.17%	6	0.11%	+4	+68.3%
INTERNAL TRANSPORT SERVICES	94	1.55%	146	2.66%	-52	-35.5%
MARITIME, AIR TRANSPORT SERVICES	1	0.01%	0	0.00%	+1	+382.5%
TRANSPORT-RELATED SERVICES	109	1.80%	91	1.66%	+18	+19.7%
COMMUNICATIONS	462	7.59%	304	5.52%	+158	+52.0%
OTHER SALES-BASED SERVICES	841	13.83%	448	8.13%	+393	+87.8%
TOTAL NON-FINANCIAL COMPANIES AND FAMILY BUSINESSES	**6,084**	**100.00%**	**5,509**	**100.00%**	**+575**	**+10.4%**

Receivables

The stocks of receivables at balance-sheet value stood at 9,296 million, showing a10.3% increase compared to the end of the previous year, slightly exceeding turnover growth. In annual average terms, lending registered a higher increase eamounting to around 14%, thanks considerable purchases of outright receivables implemented the levels at the end of 2015 with a multi-annual re-entry profile. The different growth trends by counterpart sector determined an increase in the impact of financial agencies, which rose from 5 to 7% of the total, to the detriment of the customer based componenet which, however, remained above 91% of the total.

Receivables

(€ million)

	12.31.2016		12.31.2015		VAR. SU 12.31.2015	
	AMOUNT	BRKDN. %	AMOUNT	BRKDN. %	ABSOLUTE	%
receivables from credit agencies	165	1.8%	146	1.7%	+19	+12.8%
receivables from financial agencies	652	7.0%	421	5.0%	+231	+54.7%
receivables from customers	8,479	91.2%	7,858	93.3%	+621	+7.9%
Total receivables	**9,296**	**100.0%**	**8,426**	**100.0%**	**+870**	**+10.3%**
comprising:						
with-recourse advances	*1,166*	*12.5%*	*1,174*	*13.9%*	*-8*	*-0.6%*
with-recourse advances(ex-formal non-recourse)	*2,007*	*21.6%*	*1,639*	*19.5%*	*+368*	*+22.5%*
advances on contracts	*231*	*2.5%*	*338*	*4.0%*	*-107*	*-31.7%*
non-recourse advances	*4,998*	*53.8%*	*4,281*	*50.8%*	*+718*	*+16.8%*
deferred receivables	*516*	*5.6%*	*592*	*7.0%*	*-76*	*-12.8%*
impaired receivables	*284*	*3.1%*	*266*	*3.2%*	*+18*	*+6.8%*
other receivables	*94*	*1.0%*	*137*	*1.6%*	*-43*	*-31.4%*

Directors' Report on operations (Continued)

The aggregate growth is almost entirely explained by the 16.8% increase in non-recourse receivables, which increased by 3 points their share on the total (from 50.8% to 53.8%). Operations were chiefly carried out through the purchase of outright receivables, amounting to around 77% of the total non-recourse receivables.
From an asset quality viewpoint, the impaired receivables at balance-sheet value registreed a 6.8% increase rising from the 266 million end of 2015 figure to the 284 million of end 2016, thus reducing their impact on the total balance-sheet receivables from 3.16% to a 3.06% over the twelve months. The upswing in absolute value is, however, entirely attributable to the growth in past-due receivbles, the less serious and more volatile component, which moved from 133 to 182 million between the two period closures. The non-performing, on the other hand registered a 9% drop, while the probable defaults diminished by over 30%. With respect to hedges, those relating to the non-performing rose from 80 to 83%, including partial write-offs whereas those covering probable defaults and past-due receivables remained substantially stable at end of previous year levels (respectively around 37.7% I and 5%). Hedging of total impaired receivables declined therefore from 50.7% to 48.9%, bearing in mind also partial write-offs, due to the increased impact of the past-due receivables, with lesser hedging.

Impaired receivables

(€ million)

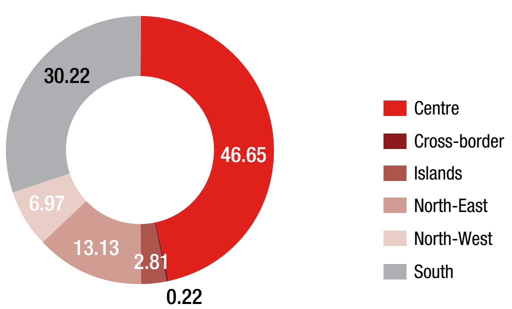
	NON-PERFORMING				TOTAL IMPAIRED	
	BALANCE-SHEET	INCL. TRANSF. TO LOSSES	UNILIKELY TO PAY	PAST-DUE LOANS	IN BALANCE-SHEET	INCL. TRANSF. TO LOSSES
As at 12.31.2016						
Face value	200.9	275.8	89.0	191.9	481.9	556.7
impact on total receivables	*2.11%*		*0.94%*	*2.02%*	*5.06%*	
Value adjustment	154.2	229.0	33.6	9.8	197.5	272.4
re face value	*76.73%*	*83.05%*	*37.75%*	*5.08%*	*40.99%*	*48.92%*
Balance-sheet value	46.8	46.8	55.4	182.2	284.4	284.4
impact on total receivables	*0.50%*		*0.60%*	*1.96%*	*3.06%*	
As at 12.31.2015						
Face value	187.9	269.0	130.8	140.9	459.7	540.8
impact on total receivables	*2.17%*		*1.51%*	*1.63%*	*5.32%*	
Value adjustment	136.4	217.5	49.2	7.5	193.2	274.3
re face value	*72.59%*	*80.85%*	*37.65%*	*5.33%*	*42.03%*	*50.72%*
Balance-sheet value	51.5	51.5	81.5	133.4	266.5	266.5
impact on total receivables	*0.61%*		*0.97%*	*1.58%*	*3.16%*	

At balance-sheet value the non-performing dropped from the 51.5 million of 2015 to 46.8 million at end 2016 at absolute value and from 0.61% to 0.50% with respect to total receivables. The hedge ratio, taking into consideration adjustments and partial write-offs, grew from 80.85% end 2015 to 83% in December 2016.
During 2016, 21 new positions became non-performing, for an overall of 27.4 million Euros, with provisions amounting to 21 million.

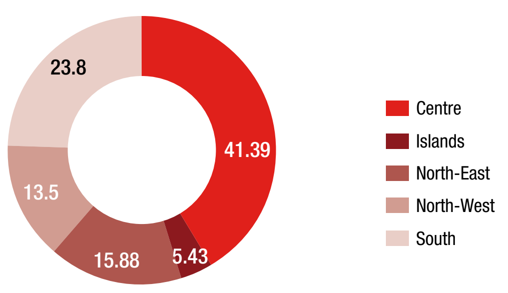
The distribution of the non-performing (net of provisions) by geographic area indicated the prevalence of positions relating to counterparts located in the Centre and South areas:

The unlikely to pay highlighted a downturn between the end of 2015 and the end of 2016, having dropped from 81.5 million to 55.4 million in absolute value and fro 0.97% to 0.59% on a percent ratio compared to the total net receivables.
During 2016, 65 new positions were classified in the unlikely to pay category for an overall 11.4 million with provisions amounting of 4.1 million. The distribution by geographic area of the total gross unlikely to pay showed a decided prevalence of the Centre and South areas.
The distribution of probable defaults by geographic area indicated the prevalence of positions relating to counterparts located in the Centre and South areas:

Non-performing by geographic area (%)



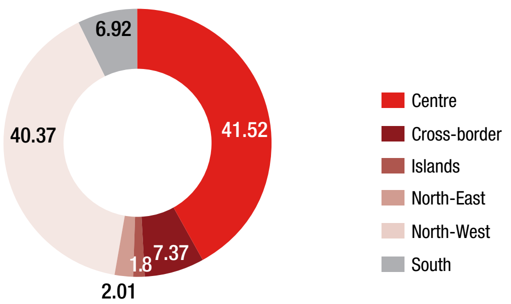
Probable defaults by geographic area (%)



Impaired past-due receivables indicated an upswing between the end of 2015 and the end of 2016, ranging from 133.4 million to 182.2 million in absolute value and receaching 2% in percent ratio compared to total net receivables, against the 1.6% of the period year closure.

The distribution of past-due receivables by geographic area indicates a strong concentration in the North-west and Centre areas.

Past due by geographic area (%)



Risk management and control methods

The Credits and Risks Department supervises the processes relating to the valuation/measuring/monitoring of risks, ensuring overall governance, through cost containment and the optimization of portfolio breakdown.

For the proper management of credit risks, in line with the model adopted by the Holding, our Company has designed its organizational structure by separating the customer-assignor acquisition and management processes from those relating to debtor management, entrusting decision-making to the Credits and Risks Department, which also supervises systematic monitoring and Risk Management.

The power to grant loans, attributed to the Board of Directors, is partially delegated to the Loans Committee, the Chief Executive Officer, who supervise a system of sub-delegations entrusted to individual units belonging to the Receivables Management.

The delegation and sub-delegation system is periodically reviewed (in synergy with the Holding) and adapted to the changing market context and the Company's structural requirements.

As to market risks, bearing in mind that the Company does not operate with financial, trading instruments, the product characteristics and the operating modes implemented allow the company to keep within restricted levels any risk assumed.

The Company's assets, chiefly characterized by short-term entries, makes for minimum exposure of the foregoing to interest-rate changes because our Company generally operates by:

- periodically updating the variable rates to match the same maturities as the provisions;
- applying fixed rates based on funding costs (outright purchase receivables).

The rate risk relating to outright purchase transactions with maturities beyond the short term are usually hedged by interest-rate swaps implemented solely with the Group's Investment Bank.

In the same context, the liquidity profile is mitigated by associating the maturities of the funding flows with the fund-raising.

Receivables in foreign currency included in the Company's assets are financed with liabilities in the same currency. This operation allows us to minimize the exchange-rate risk.

For more detailed information regarding risks and their relevant hedging policies kindly consult the Notes to the Financial Statements (Part D - Section 3).

Directors’ Report on operations (CONTINUED)

Income Statement and Equity

Income Statement

The Income Statement illustrated here below follows the reclassification outline adopted by the Group, which registers in attachment the reconciliation with the balance-sheet outline.

Reclassified income statement

	PERIOD		CHANGE	
	12.31.2016	12.31.2015	ABSOLUTE	%
Net interest	124.6	120.0	4.7	+3.9%
Net commission	62.5	68.5	-6.0	-8.7%
Trading result and hedging	0.1	0.2	-0.1	-46.0%
Balance other revenue/changes	12.8	7.9	4.8	+61.3%
BROKERING MARGIN	**200.0**	**196.5**	**3.5**	**+1.8%**
Staff costs	-25.5	-26.8	1.3	-4.9%
Other admnistrative costs	-22.1	-17.6	-4.5	+25.9%
Amortization/Depreciation to/intangible fixed assets	-0.5	-0.3	-0.1	+42.2%
Operating costs	**-48.2**	**-44.8**	**-3.4**	**+7.5%**
OPERATING INCOME	**151.8**	**151.7**	**0.1**	**+0.1%**
Net adjustments to receivables	-15.5	-5.2	-10.3	+199.3%
NET OPERATING INCOME	**136.3**	**146.6**	**-10.3**	**-7.0%**
Net provisions for risks and charges	-8.2	-3.1	-5.1	+166.2%
Integration charges	-6.3	-1.3	-5.0	+394.9%
GROSS PROFIT	**121.8**	**142.2**	**-20.4**	**-14.3%**
Income tax for the period	-35.3	-41.9	6.6	-15.8%
NET PROFIT	**86.5**	**100.2**	**-13.8**	**-13.7%**

The normalized changes, which sterilize the impact of the extraording interest collected in the two periods (around 5 million for both) are not presented because substantially identical to the effective figures.

With respect to revenue the upturn compared to 2015 was essentially due to increase in operating revenue, affected by greater insurance refunds. Comprehensively the interest and commissions indicated substantial stability, despite the robust growth in turnover volumes (+8.6%) and in lending (+14.2% in average annual terms), due to the generalised drop in spread and the average commissions caused by highly aggressive competition and low interest levels, boosted by the expansive monetary policies adopted by the BCE. Added to these market factors was also the effect of a recomposition of the portfolio with higher standing customers and resulting lower pricing levels.

Consequently the brokering margin stood at 200.0 million with a 1.8% increase over the previous year. This result was achieved with the contribution of 124.6 million from the interest margin (+3.9%), 62.5 million from net commissions (-8.7%) and 12.9 million from other items (+59%).

Regarding costs, expenses for human resources recorded a 4.9% hike compared with an average, annual workforce increase of 4.9%. This gap is explained by a lower variable share registered in 2016.

Other administration costs registered a 25.9% increase, chiefly due to IT cost increases and credit recovery expenses, and, to a lesser degree, to expenses for outsourced activities and those relating to real estate.

Overall operating costs stood at 48.2 million, with a 7.5% increase over the previous year, The ratio between costs and revenue rose to 24.1% compared to the 22.8% of the previous year while the operating result, 151.8 million confirmed the same levels as 2015.

Net adjustments to receivables amounted to 15.5 million increasing by 10.3 million compared to the previous year, a period which saw significant, unrepeatable write-backs. With respect to average lending, the adjustments remained moderate (0.22% compared to the 0.08% of 2015).

Gross profits, bearing in mind net provisions for risks and charges for 8.2 million and integration costs for 6.3 million relating to staff exits foreseen by the plan, amounted to 121.8 million with a 14.3% reduction compared to the previous year. On the whole the major charges, net of taxes, for adjustments to receivables, provisions and extraordinary integration costs, weighed for about 14 million on the net profit which stood, therefore, at 86.5 million compared to the previous year’s 100.2 million.

Net Equity and capital ratios

Net equity at December 31 rose to 747 million, with a 16 million increase compared to the previous year, substantially equal to the profits for the period (86.5 million) less the dividends distributed with the approval of the 2015 budget (a total 70.2 million). The Class 1 Basic Capital, taking into account the distribution of around 70% of the net profit gained over the period, stood at 686 million compared to the 660 million at end 2015 (+4%) of the previous year. The contribution of the hybrid struments and of subordinated liabilities dropped, instead, to only 6 million, from the previous 57 million, not only because these instruments were nearing maturity but also due to the more restrictive rules foreseen by the new regulations, in force for the Company as from June 2016. The Total Own Funds thus stood at 692 million compared to the previous year's 716 million.

Total weighted assets highlighted a 4.1% increase (against the roughly 10% of the non-weighted) due to the higher guarantees received from the Parent company for the hedging of risk on several greater exposures exceeding the concentration limits. The CET 1 remained, therefore, at 10%, while the Total Capital Ratio dropped to 10.09%, compared to the previous year's 10.86% and 6% allowed minimum.

Net equity and capital ratios

(€ million)

	DATA AT		CHANGE	
	12.31.2016	12.31.2015	ABSOLUTE	%
Net equity	747	730	+16	2.2%
Period profit to distribute (-)	61	70	-10	-13.7%
Negative/positive features	0	-1	+0	-86.2%
Class 1 basic capital (CET 1 Capital)	686	660	+26	4.0%
Hybrid instruments and subordinated liabilities	6	57	-51	-89.3%
Total own funds	692	716	-24	-3.4%
Total weighted assets for the risk	6,861	6,594	+267	4.1%
CET 1 ratio	10.00%	10.00%	0.00%	
Total Capital ratio	10.09%	10.86%	-0.77%	

Further information

Application for enrolment in the new single Register of financial brokers

As from 9 05.2016 our Company has been listed in the new new single Register of financial brokers pursuant to the amended art. 106 TUB.

Auditing

Our company, in line with Group policies governing controls, avails itself of the Internal Auditing Service offered by UniCredit S.p.A., through the Insourced Auditing Services which reports to the Internal Audit of Unicredit S.p.A[1].

Administrative responsibility, D.Lgs. (Legislative Decree) 231/2001

Throughout 2016 supervisory activities were ongoing and included adequacy monitoring and compliance with the Organizational and Managerial Model operated by the Supervisory Body (OdV), set up pursuant to D.Lgs nr.231/01 regarding the administrative liability of legal persons, corporations and associations, also lacking judicial status. OdV functions during the period were attributed to the Board of Auditors pursuant to the Supervisory Instruction for Financial Brokers.

The operations carried out by the OdV included. in particular, the following initiatives: updating the existing Organizational and Management Model, in force according to the Parent Company's guidelines.

Business Continuity

As foreseen by the Bank of Italy regulations and in harmony with the indications issued by the Holding, our Company approved and activated the Plan for Business Continuity and management of events and crisis situations, which takes into account the main crisis/disaster scenarios and identifies, as regards each and every, potentially damaging event, the solutions to be adopted to ensure adequate operating continuity in acceptable conditions of deterioration. The principle guidelines indicated by the Plan foresee the distribution, in each prospective case, of the crucial activities pinpointed thoughout the Company's offices (Headquarters in Milan and secondary location in Rome), and the use of the competent resources located therein, periodically updated and equipped with the necessary skills, able to intervene rapidly to replace those units unable to operate in the stricken location.

1. Agreement stipulated with UniCredit SpA on July 15, 2015.

Directors' Report on operations (Continued)

Environment and work safety

Also In 2016, on the basis of Group guidelines and standards, training activities pursuant to D.Lgs (Legislative Decree) 81/2008 were ongoing, in particular with the programme for the formative updating of the human resources appointed to manage fire-fighting and first-aid emergencies, together with the health control programme for video-terminal employees.

Operations with related parties

With respect to business relations with the Holding and with other companies belonging to the UniCredit Group, we refer you to the relevant Table illustrated in the Notes to the Financial Statements (Part D - Further Information - Section 6 - Operations with related parties).

Own shares or Holding shares in portfolio

The Company does not hold, and did not hold during the period, under any title whatever, own shares or shares belonging to the Holding.

Research and development

During the period no investments were made pertaining to research and development.

Financial instruments

At December 31, 2016 the Company owned derivative financial instruments for hedging interest-rate risks. More detailed information on the management policy relating to financial risks and the breakdown of the derivatives portfolio are illustrated in the Notes to the Financial Statements.

The Holding: management and coordination

We report that, pursuant to articles 2497 and subsequent of the Civil Code, the Company is subject to the management and coordination of UniCredit S.p.A.; the Notes to the Financial Statement (Part D - Further information - Section 6) illustrate the business relations existing between whosoever performs management and coordination activities and also with the other companies thereto subjected.
The Attachments to the Notes to the Financial Statements include a table summarizing the principle data pertaining to the Holding.

We specify, moreover, that the Company has adhered to the funded fiscal debt adopted by the Group.

Registered Offices

Milan, Via Livio Cambi nr. 5.

Secondary, registered offices

The Company has no secondary, registered offices.

Significant Events subsequent to closure of the fiscal period, expected management evolution

Significant events subsequent to closure of the fiscal period

After closure of the fiscal period no significant events occurred which might affect the financial statements illustrated herein.

Expected evolution of management

The general expections for 2017 converge on growth in the United States, also thanks to President Trump's fiscal plan which, as underlined during his campaign, might well sustain the American economy, whereas in the United Kingdom the economic performance will be considerably influenced by the effects on confidence generated by the unfolding of the Brexit negotiations. In emerging markets the scenario relating to economic growth will be more varied, towed forward by the Chinese market, although the relevant growth rates will be lower than in recent years.

The Eurozone should register another moderate recovery, supported chiefly by low interest rates and a revival of worldwide trade. In Italy the expected GDP growth rate is 0.8%. Private consumption and investments in particular will continue to boost growth, with the recovery of investments sustained by an accelerazione of the latter in machines and equipment. These should benefit from the strengthening of the fiscal incentives introduced in 2016 and from a cutback in company income taxes, besides the stimulus expected from favourable funding terms for companies. Loans to the private sector indicated, in fact, an improvement trend towards the end of 2016, thanks to a growing demand for loans from companies and above all from families.

Inflationary trends have begun to show the first signs of increasing. In December the inflation rate in the Eurozone rose to 1.1%, chiefly led by the increase in oil prices following the OPEC agreement of November; it seems unlikely, however, that inflation will reach the 2% upturn which the BCE fixed as the target for increased inflation. In the December meeting, therefore, the BCE decided to extend its asset purchasing from March 2017 up to December 2017, though at a reduced rate of 60 billion per month.

With specific respect to factoring, the expectations of operators in the sector, reported in February are positive. An average 4.3% growth compared to 2016 is predicted for the annual turnover and 3.7% for the end of year outstanding, signifying therefore how the sector manages to obtain better growth rates than the general economic figures.

In the foregoing scenario the Company is pursuing its objective, namely, to further develop turnover volumes and to keep lending on an upswing trend, by relying even more on the intensification of our collaboration with the Holding network and on the development of new business opportunities within the framework of reverse factoring and international commerce.

Milan, March 2, 2017

Chief Executive Officer	For the Board of Directors
Renato Martini	The Chairman: Alessandro Cataldo

Proposals submitted to the Ordinary Shareholders Meeting

The fiscal year reports and accounts statements, including the Directors' Report, which we submit to your approval, were audited by Deloitte & Touche S.p.A., pursuant to the resolutions deliberated by the Shareholders' Meeting of April 18, 2013.

Furthermore we propose the following allocation of the fiscal year profits, amounting to 86,480,150 Euros, as follows:

to the Legal Reserve	4,324,008 Euros
to other Reserves	21,609,942 Euros
to shareholders on the basis ofi 0.754 per share	60,546,200 Euros

Milan, March 2, 2017

Chief Executive Officer
Renato Martini

For the Board of Directors
The Chairman: Alessandro Cataldo

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Financial Statement

Statement of financial position

(Euro values)

ASSETS	12.31.2016	12.31.2015
10. Cash and cash equivalents	1,134	1,687
40. Financial assets available for sale	2,740,175	2,210,174
60. Receivables:	9,295,813,627	8,425,986,544
from banks	165,453,538	146,313,403
from financial institutes	651,725,461	421,480,434
from clients	8,478,634,628	7,858,192,707
70. Hedge derivatives	455,294.00	2,710,467
80. Value adjustment to financial assets subject to standard hedging (+/-)	7,861,869	344,000
100. Tangible assets	2,760	29,491
110. Intangible assets	75,714	545,962
120. Fiscal assets	48,846,261	57,873,839
a) current	-	9,877,447
b) prepaid	48,846,261	47,996,392
- at L. 214/2011	40,960,226	37,276,053
140. Other assets	11,444,785	17,525,752
TOTAL ASSETS	**9,367,241,619**	**8,507,227,916**

LIABILITIES AND NET EQUITY	12.31.2016	12.31.2015
10. Payables	8,307,981,977	7,440,734,966
to banks	8,116,447,977	7,219,631,236
to financial institutes	6,180,734	27,660,814
to customers	185,353,266	193,442,916
20. Outstanding securities	77,065,026	77,084,270
50. Hedging derivatives	10,524,773	3,681,614
70. Tax payables	979,323	852
a) current	979,323	-
b) deferred	-	852
90. Other liabilities	186,867,296	226,424,642
100. Provision for employee severance pay	3,454,878	3,489,715
110. Provisions for risks and charges	33,833,010	25,434,787
b) other provisions	33,833,010	25,434,787
120. Share capital	414,348,000	414,348,000
150. Share premiums	951,314	951,314
160. Reserves	245,221,804	215,156,748
170 Valuation reserves	(465,932)	(326,248)
180. Profit (Loss) for the period	86,480,150	100,247,256
TOTAL LIABILITIES AND NET EQUITY	**9,367,241,619**	**8,507,227,916**

Income Statement

(Euro values)

ITEMS	12.31.2016	12.31.2015
10. Receivable interest and assimilated revenues	135,456,964	133,186,538
20. Payable interest and assimilated charges	(10,808,782)	(13,218,081)
INTEREST MARGIN	**124,648,182**	**119,968,457**
30. Fees & commission income	73,552,423	78,177,525
40. Fees & commission expense	(11,081,876)	(9,720,252)
NET FEES	**62,470,547**	**68,457,273**
60. Net result from trading operations	104,682	194,002
BROKERING MARGIN	**187,223,411**	**188,619,732**
100. Net value adjustments for impairment of:	(15,523,009)	(5,186,570)
a) financial assets	(15,523,009)	(5,186,570)
110. Administration costs:	(53,911,973)	(45,699,298)
a) staff costs	(31,776,656)	(28,112,321)
b) other administration costs	(22,135,317)	(17,586,977)
120. Net value adjustments/write-backs to tangible assets	(26,731)	(42,498)
130. Net value adjustments/write-backs to intangible assets	(470,248)	(307,085)
150. Net allocations to provisions for risks and charges	(8,238,167)	(3,094,492)
160. Other revenues and operating charges	12,752,697	7,905,890
OPERATING RESULT	**121,805,980**	**142,195,679**
PROFIT (LOSS) FROM CURRENT ASSETS BEFORE TAXES	**121,805,980**	**142,195,679**
190. Income tax on financial year revenue from current operations	(35,325,830)	(41,948,423)
PROFIT (LOSS) FROM CURRENT ASSETS AFTER TAXES	**86,480,150**	**100,247,256**
PROFIT (LOSS) FOR THE YEAR	**86,480,150**	**100,247,256**

Statement of Comprehensive Income

(Euro values)

ITEMS	12.31.2016	12.31.2015
10. Profit (Loss) for the year	**86,480,150**	**100,247,256**
Other comprehensive income net of taxes without reversal to income statement		
20. Tangible assets	-	-
30. Intangible assets	-	-
40. Defined benefit plans	(139,684)	79,331
50. Non-current assets held for sale	-	-
60. Share of valuation reserves of investments valued at equity	-	-
Other comprehensive income net of taxes with reversal to income statement		
70. Foreign investments hedging	-	-
80. Exchange-rate differences	-	-
90. Cash-flow hedging	-	-
100. Financial assets available for sale	-	-
110. Non-current assets under divestment	-	-
120. Share of valuation reserves of investments valued at net equity	-	-
130. Total other income items	**(139,684)**	**79,331**
140. Comprehensive income (Item 10+130)	**86,340,466**	**100,326,587**

Financial Statement (Continued)

Statement of Changes in Equity at December 31, 2016

	BALANCE AT 31.12.2015	CHANGES IN OPENING BALANCE	BALANCE AT 01.01.2016	ALLOCATION PREVIOUS YEAR RESULTS	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Share capital	414,348,000	-	414,348,000	-	-
Share premiums	951,314	-	951,314	-	-
Reserves					
a) profits	215,156,748	-	215,156,748	30,065,056	-
b) others	-	-	-	-	-
Valuation reserves	(326,248)		(326,248)		-
Equity instruments	-	-	-		-
Own shares	-	-	-	-	-
Profit (Loss) for the year	100,247,256	-	100,247,256	(30,065,056)	(70,182,200)
Net equity	**730,377,070**	**-**	**730,377,070**	**-**	**(70,182,200)**

Statement of Changes in Equity at December 31, 2015

	BALANCE AT 31.12.2014	CHANGES IN OPENING BALANCE	BALANCE AT 01.01.2015	ALLOCATION PREVIOUS YEAR RESULTS	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Share capital	414,348,000	-	414,348,000	-	-
Share premiums	951,314	-	951,314	-	-
Reserves					
a) profits	184,033,291	-	184,033,291	31,123,457	-
b) others	-	-	-	-	-
Valuation reserves	(405,579)		(405,579)	-	-
Equity instruments	-	-	-	-	-
Own shares	-	-	-	-	-
Profit (Loss) for the year	103,794,957	-	103,794,957	(31,123,457)	(72,671,500)
Net equity	**702,721,983**	**-**	**702,721,983**	**-**	**(72,671,500)**

(Euro values)

CHANGES OVER YEAR							
	OPERATIONS ON NET EQUITY						
CHANGES IN RESERVES	NEW SHARES ISSUE	NEW SHARES ISSUE	DISTRIBUTION EXTRAORD. DIVIDENDS	CHANGES IN CAPITAL INSTUMENTS	OTHER CHANGES	COMPREHENSIVE INCOME AT 12.31.2016	NET EQUITY AT 12.31.2016
-	-	-	-	-	-	-	414,348,000
-	-	-	-	-	-	-	951,314
-	-	-	-	-	-	-	245,221,804
-	-	-	-	-	-	-	-
	-	-	-	-	-	(139,684)	(465,932)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	86,480,150	86,480,150
-	**-**	**-**	**-**	**-**	**-**	**86,340,466**	**746,535,336**

(Euro values)

CHANGES OVER YEAR							
	OPERATIONS ON NET EQUITY						
CHANGES IN RESERVES	NEW SHARES ISSUE	OWN SHARES PURCHASE	DISTRIBUTION EXTRAORD. DIVIDENDS	CHANGES IN CAPITAL INSTUMENTS	OTHER CHANGES	COMPREHENSIVE INCOME AT 12.31.2015	NET EQUITY AT 12.31.2015
-	-	-	-	-	-	-	414,348,000
-	-	-	-	-	-	-	951,314
-	-	-	-	-	-	-	215,156,748
-	-	-	-	-	-	-	-
	-	-	-	-	-	79,331	(326,248)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	100,247,256	100,247,256
-	**-**	**-**	**-**	**-**	**-**	**100,326,587**	**730,377,070**

Financial Statement (Continued)

Cash-flow Statement - Direct metod

(Euro values)

	12.31.2016	12.31.2015
A. OPERATING ASSETS		
1. MANAGEMENT	**119,873,850**	**94,964,870**
- interest income collected	134,158,809	125,660,469
- interest paid	(10,808,782)	(13,218,081)
- net fees	62,470,547	68,457,273
- staff costs	(31,776,656)	(28,112,321)
- other costs	(22,135,317)	(17,586,977)
- other revenues	14,263,501	8,874,869
- taxes	(26,298,252)	(49,110,362)
2. CASH-FLOW GENERATED/ABSORBED BY FINANCIAL ASSETS	**(867,073,666)**	**(268,478,053)**
- financial assets available for sale	(530,001)	(1,510,001)
- receivables from banks	254,143	(23,548,021)
- receivables from financial institutes	(230,245,027)	303,639,446
- receivables from customers	(637,371,052)	(580,247,416)
- other assets	818,271	33,187,939
3. CASH-FLOW GENERATED/ABSORBED BY FINANCIAL LIABILITIES	**836,775,741**	**235,344,701**
- payables to banks	896,816,741	224,232,686
- payables to financial institutes	(21,480,080)	6,010,397
- payables to customers	(8,089,650)	60,494,178
- outstanding securities	(19,244)	(15,072)
- other liabilities	(30,452,026)	(55,377,488)
NET CASH-FLOW GENERATED/ABSORBED BY OPERATING ACTIVITIES	**89,575,925**	**61,831,518**
B. INVESTMENT ASSETS		
1. LIQUIDITY GENERATED BY:		
- tangible assets sales	-	-
- intangible assets sales	-	-
- business unit sales	-	-
2. LIQUIDITY ABSORBED BY:		
- tangible assets purchases	-	-
- intangible assets purchases	0	(62,349)
- business units purchases	-	-
NET LIQUIDITY GENERATED/ABSORBED BY INVESTMENT ASSETS	**0**	**(62,349)**
C. FUNDING ACTIVITIES		
- own shares issue/purchases	-	-
- equity instruments issue/purchase	-	-
- distribution dividends and other purposes	(70,182,200)	(72,671,500)
NET LIQUIDITY GENERATED/ABSORBED BY FUNDING ASSETS	**(70,182,200)**	**(72,671,500)**
NET LIQUIDITY GENERATED/ABSORBED OVER PERIOD	**19,393,725**	**(10,902,331)**

Reconciliation

	12.31.2016	12.31.2015
Cash and cash equivalent at start of period	8,815,341	19,717,672
Total net cash generated/absorbed during period	19,393,725	(10,902,331)
Cash and cash equivalent at the end of period	28,209,066	8,815,341

Notes to the Financial Statements

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Part A - Accounting standards

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Part A - Accounting standards

A.1 - General section

Section 1 - Statement of compliance with International Accounting Standards

The Reports and Accounts at December 31, 2016 were drawn up according to international IAS/IFRS accounting standards,issued by the IASB, ratified by European Commission up to December 31, 2016, including the relevant interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as stipulated by Community regulation nr. 1606 of July 19, 2002, applied in Italy by Legislative Decree nr. 38 of 2005.

The reports and accounts were prepared on the basis of the guidelines illustrated in the instructions of the Governor of the Bank of Italy's provision of December 09, 2016 “the Balance sheet of IFRS brokers different from bank brokers”, which totally replaced the “Instructions for the drafting of the balance sheets and cash-flow statements of financial brokers, payment institutes, electronic money institutes (IMEL), SGRs (Savings management companies) and SIMs (Securities brokerage companies), attached to the Bank of Italy provision of December 15, 2015.

Section 2 - General standards for the preparation of financial statements

The preparation of the reports and accounts at December 31, 2016 pertaining to UniCredit Factoring S.p.A. was carried out, as Illustrated here above, in compliance with the international accounting standards (IAS/IFRS), ratified by the European Commission. The financial statements comprise the following: Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash flow Statement, Statement of Net Equity Changes and the Notes to the Financial Statements. They also include the Directors' Report on the ongoing performance of the management. The position was drawn up in Euro units, except for the Notes which were drawn up in Euro thousands, and corresponds to the company accounting which faithfully reflects the transactions undertaken during the period.

Drafting was implemented on an ongoing-concern basis and corresponds to standards of competency, relevance and the significance of the accounting information and of the prevalence of economic substance over legal form. The information relevant to the Cash flow Statement was given according to the cash flow standard.

Costs and revenues, assets and liabilities were not offset one against the other, unless indicated by an accounting standard and/or by the relative interpretation, in order to render the annual statements clearer and more representative.

The balance sheet analysis and the Notes to the Financial Statements indicate the corresponding comparisons with the previous year.

The reports and accounts at December 31, 2016 were drafted clearly and represent, truthfully and faithfully, the asset and liability position, the financial position and economic results pertaining the period, the changes in Net Equity and the Company's cash flows.

No exceptions to the IAS/IFRS accounting standards were applied in the financial statements illustrated herein.

Risks and uncertainties connected with the use of estimates

In conformity with the IAS/IFRS standards, the company management must formulate valuations, estimates and hypotheses which affect the application of the accounting standards and the amounts pertaining to the assets, liabilities, costs and revenues reported in the statements. They were adopted to estimate the book value of those assets and liabilities not easily obtainable from other sources.

Estimation procedures were adopted, in particular, to support the posting values.

The foregoing estimates and hypotheses are regularly reviewed. Potential changes resulting from such reviews are reported in the relevant revision period, should the specific review be limited to that period only. If the revision concerns both current and future periods, the variation is registered in the period under review and in the specific future periods.

The risk of uncertainty in the estimate is substantially inherent to the assessment of:
- the quantification of impairment losses on receivables
- severance payments and other benefits owed to employees
- funds for risks and charges
- financial instruments
- deferred tax assets.

Section 3 - Significant events subsequent to the balance sheet date of the financial statements

After the date of period closure no significant events occurred which might tend to alter the information indicated in the financial statements at December 2016.

Section 4 - Other matters

The fiscal year reports and accounts, including the Directors' Report, which we submit to your approval, were audited by Deloitte & Touche S.p.A., pursuant to the resolution deliberated by the Shareholders' Meeting of April 18, 2013.
We underline that, pursuant to IAS 10, the date when which the publication of the Reports and Accounts was authorised by the Board of Directors was March 02, 2017.
During 2016 the following accounting standards and interpretations came into force:

- Amendments to IFRS10, IFRS12 and to IAS28: Application of the exception to the consolidation of investments entities (Reg.UE 2016/1703);
- Amendments to IAS27 Separate Balance sheet: Net equity method in the separate balance sheet (Reg.UE 2015/2441);
- Amendments to IAS1: Presentation of the balance sheet: Information measures (Reg.UE 2015/2406);
- Annual cycle of improvements 2012 - 2014 to International accounting standards (Reg.UE 2015/2343);
- Amendments to IAS16 and to IAS38: Clarifications regarding permitted write-down and amortization methods (Reg.UE 2015/2231);
- Amendments all'IFRS11: Accounting of investment purchases in joint-control activities (Reg.UE 2015/2173);
- Amendments to IAS16 and to IAS41: Agriculture: Bearer plants (Reg.UE 2015/2113);
- Amendments to IAS19: Defined benefits plans: employee contributions (Reg.UE 2015/29);
- Annual cycle of improvements 2010 - 2012 of international accounting standards (Reg.UE 2015/28);

whose adoption did not impact current equity and financial balances.

Furthermore in 2016 the European Commission ratified the following accounting standards which are to come into force as from he financial statement of 2018:

- IFRS9 - Financial instruments (Reg.UE 2016/2067);
- IFRS15 - Proceeds from agreements with customers (Reg.UE 2016/1905).

At December 31, 2016, in conclusion, IASB had issued the following accounting standards and interpretations or revisions pertaining to the foregoing, whose application is, however, subordinated to the completion of the ratification process (still unfinished) by the competent bodies of the European Union:

- IFRS14 - Activities with tariff regulations (gennaio 2014);
- IFRS16 - Leasing (gennaio 2016);
- Amendments to IFRS10 and to IAS28: Assignment or conferment of an asset to a joint or associated venture (September 2014);
- Amendments to IAS12: Posting of receivables for prepaid taxes for unrealized losses (January 2016);
- Amendments to IAS7: Information measures (January 2016);
- Clarifications on IFRS15: Proceeds from agreement with customers (April 2016);
- Amendments to IFRS2: Classification and assessment of share-based payments (June 2016);
- Amendments to IFRS4: Application of IFRS9 Financial instruments with IFRS4 Insurance contracts (September 2016);
- Annual cycle of improvements 2014 - 2016 of International accounting standards (December 2016);
- IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration (December 2016);
- Amendments to IAS40: Transfer of Investment property (December 2016).

With specific reference to accounting standards to be applied in future, we underline that IFRS 9:

- Introduces significant changes regarding the rules governing the classification and measurement of financial assets to be based on business models and on the characteristics pertaining to the cash-flows of the financial instrument (SPPI guideline - Solely Payments of Principal and Interests) which, compared with IAS 39, could entail different classification and measurement methods for financial instruments;
- introduces a new impairment accounting model based on an "expected losses" approach rather than on "incurred losses" as in the IAS39 currently in force and on the concept of expected "lifetime" loss which could lead to an anticipation and a structural increase of value adjustments, in particular adjustments on receivables; and
- intervenes on "hedge accounting" re-writing the rules governing the designation of a hedging relationship and the verification of its effectiveness for the purpose of guaranteeing greater alignment between the accounting report of the hedges and the underlying operating logics. We emphasize that the standard foresees the possibility for the entity of resorting to the faculty to continue to apply the provision of the international accounting standard IAS39 with respect to "hedge accounting" up to completion by the IASB of the project for the definition of the rules relating to "macrohedging".

The obligatory effective date regarding IFRS9 will be January 1, 2018, pursuant to EU Regulation 2016/2067 of November 22, 2016 (published on November 9, 2016. The changes in the accounting value of financial instruments due to the transition to IFRS9 will be accounted at that date as counterpart to net equity.

IFRS15, applicable as from January 1, 2018 was ratified by the European Union with UE Regulation UE 2016/1905 of September 22, 2016 (published on October 29, 2016), modifies the current set of international accounting standards and interpretations regarding the recognition of revenue and, in particular, IAS18.
IFRS15 foresees:

- two approaches for the recognition of revenue ("at point in time" or "over time");
- a new model for analysing transactions ("Five steps model") focusses on control transfer: and
- more extensive information requested for inclusion in the notes to the financial statements.

Part A - Accounting standards (Continued)

A.2 - Part relating to the principal items in the financial statements

The guidelines adopted for valuating the principle items are illustrated here below:

1) Receivables

The receivables are made up of non-derivative financial assets, versus customers, financial agencies and banks, with fixed or determinable payments, unlisted in an active market.

The first registration of a receivable takes place at the date of assignment following the signing of the agreement (in case of non-recourse assignment) and coincides with the date of allocation as regards with-recourse.

The receivable is registered on the basis of its fair-value, amounting to the sum allocated (with-recourse) or the face-value of the receivable purchased, (non recourse).

After the initial registration at fair-value, inclusive of transaction costs, directly chargeable to the acquisition of the financial assets, the receivables are valued at depreciated cost prospectively adjusted to take account of reduction and/or writebacks resulting from the assessment process.

Very briefly, factoring operations are characterised by exposures versus assignors, representing loans granted against with-recourse assignments and exposures versus assigned debtors representing the value of the receivables acquired by non-recourse assignments.

Within the framework of IAS 39, the foregoing operations entail, as regards the assignor and the factoring company, the valuation of the existence or not of the conditions required by this international accounting standard governing the implementation of so-called derecognition.

In conformity, in fact, with the general principle of the prevalence of economic substance over legal form, an enterprise may cancel a financial asset from its balance-sheet only if, as a result of an assignment, it has transferred the risks and benefits connected with the instrument assigned.

In actual fact, IAS 39 foresees that an enterprise may cancel a financial asset from its balance-sheet if, and only if:
a) the financial asset is transferred together with substantially all its associated risks and if the contractual rights to the cash flows deriving from the asset expire;
b) the benefits associated with the the ownership of the asset no longer apply.

To evaluate the effective transfer of the risks and benefits, the assignor's exposure must be compared to the variability of the current value or of the cash flows generated by the financial asset transferred before and after the assignment.

The assignor maintains substantially all the risks and benefits, whenever its exposure to the 'variabililty' of the current value of the net future flows relating to the financial asset does not change significantly after its transfer. Conversely, transfer takes place when exposure to this 'variability' is no longer significant.

The most frequently used forms of assignment of a financial instrument may entail considerably different accounting effects:
- whenever, in relation to a non-recourse assignment (with no guarantee whatever) the assets assigned may be cancelled from the assignor's balance-sheet;
- whenever, in relation to a with-recourse assignment it is probable that in the majority of cases the risk connected with the assigned asset remains with the seller and, as a result, the assignment does not possess the requisites for the cancellation from the accounting records of the instrument sold.

The Company has registered among its receivables those purchased on a non-recourse basis subject to the verification of the non-existence of contractual clauses impeding the effective, substantial transfer of all the risks and benefits thereto connected. With respect to the portfolio assigned with-recourse, the Receivables are reported and maintained in the balance-sheet exclusively as regards the sums allocated by the assignor as prepayment of the consideration.

To be more specific:
a) The Receivables assigned with-recourse and 'legal' non-recourse (without derecognition by the assignor) are reported exclusively with respect to those sums allocated to the assignor as prepayments of the consideration, including accrued interest and fees, and the first registration is implemented according to the consideration advanced to the assignor against assignment of the Receivables.
b) Receivables purchased outright on a non-recourse basis, with substantial transfer of the risks and benefits and the deferred maturity receivables paid at maturity are recorded at the nominal amount of the assigned invoices (with derecognition by the assignor) and the first entry is registered at the face value of the receivable (equivalent to the fair-value).
c) Loans allocated against future receivables, not subject to assignments of receivables, and instalment loans, are recorded at a value equal to the amount of the loan, including the relevant interest and fees accrued.

At each balance-sheet date, if there is objective evidence that loss has been sustained due to a reduction in value of the receivables, the extent of the loss is measured as the difference between the book value of the asset and the current value of future, estimated cash flows discounted at the effective, original interest-rate. In particular, the guidelines for determining the write-downs to be applied to the receivables are based on the actualisation of the cash flows expected from capital and interest, net of recovery charges and potential prepayments received; for the purposes of determining the current value of the cash-flows, the basic elements are represented by the identification of the estimated takings, relevant maturities and discount rate to be applied.

A receivable is considered impaired when it appears unlikely that the entire amount will be recovered, according to the original, contractual terms and conditions, or for an equivalent value. The total cancellation of a receivable is implemented when it is considered irrecoverable or is totally written off.

In compliance with Bank of Italy regulations, impaired exposures are classified according to the following categories:
- **non-performing:** identifying the area comprising formally impaired receivables, made up of exposures versus insolvent customers, even if legally unascertained, or in equivalent situations. Valuation is implemented on an analytic basis (also by means of feedback with hedge levels defined statistically and automatically for some credit portfolios lower than a pre-defined threshold), i.e. in the case of sums not singly significant, on a lump-sum basis for certain types of homogenous exposures.
- **unlikely to pay:** representing cash and off-balance-sheet exposures, for which the debtor cannot be classified as non-performing and for which there is an assessment of unlikelihood that, in the absence of actions such as enforcement of the guarantees, the debtor will be able to fulfil (with principle and/or interest) its credit obligations in full. Such assessment is implemented regardless of the existence of possible past-due or unpaid sums (or instalments).
  Classification amoung the probable defaults is non necessarily linked to the explicit presence of anomalies (failed refund) but linked instead to the existence of factors indicating a non-fulfilment risk situation pertaining to the debtor (e.g., a crisis in the latter's industrial sector).
  Probable defaults are are valuated analytically whenever specific features make it advisable, or by analytically applying lump-sum percents determined according to historical/statistical bases in the remaining cases.
- **Past-due exposures and/or overdrawn impaired:** representing cash exposures, different from those classified among the non-performing or probable defaults which, at the reference date are past-due or overdrawn. Past-due and/or overdrawn impaired are determined by reference to the single debtor.

  Past-due exposures and/or overdrawn impaired are valued on a lump-sum basis according to historic/statistic data, by applying wherever available, the risk rate drawn from the appropriate risk factor used for the purposes of (EU) Regulation 575/2013 (CRR) relevant to the cautionary requirements applicable to credit agencies and investment companies ("default -based loss" or LGD - Loss Given Default).
  The valuation of the performing (in bonis) receivables involves asset portfolios not presenting objective losses. The valuation implemented tends, therefore, to measure losses already sustained at balance-sheet date but not yet manifest, due to the normal delay between the deterioration of the customer's financial position and its classification among the impaired exposures. This delay can be assessed, for factoring activities, as falling between an average 6 to 12 month period. The adjustment to the performing receivables is consequently determined by taking account of the corresponding fraction of the expected annual loss, calculated as produced between loan exposure, the probability of the counterpart's default over one year and the percent loss in case of default.

2) Tangible assets
'Assets for functional uses' is the definition given to assets with physical consistency, held for use in the production or supply of goods and services or for administrative purposes and considered useable for more than one period.

The item includes: installations and machinery, furniture and fittings.

Tangible assets are initially reported at cost, comprising the charges needed to put them to use for the asset for which they were purchased (including all costs directly linked to the putting to use of the asset and to the non-recoverable purchase tax and duties). The foregoing value is subsequently increased by the expenses sustained from which the enjoyment of future benefits is expected. The costs for the ordinary maintenance of the asset are registered in the Income Statement as and when they occur. Conversely, extraordinary maintenance costs from which future benefits are expected, are capitalized as an increase to the value of the assets to which they refer.

After initial acknowledgement, the instrumental, tangible assets are registered at cost, net of the accumulated depreciation and of any accumulated value loss. The depreciable value, amounting to the relevant cost, less the residual value (i.e. the total amount foreseen normally obtainable at divestment, less the expected divestment costs, if the asset was already in the state, also age-wise, expected at the end of its useful life), is systematically spread on a straight-line basis as regards depreciation, over the useful life of the tangible asset.

According to standard practice the residual value of the depreciable assets is considered to be zero.

Their useful life, regularly reviewed to determine whether any prospective estimates differ significantly from those previously performed, is defined as:
• the time-band over which an asset is expected to remain useful to the company;
• the quantity of products or similar units which the company expects to obtain by using the foregoing asset.

Part A - Accounting standards (Continued)

If there is objective evidence that the value of a single asset may have been reduced, the book value of the asset is compared to its recoverable value, corresponding to the greater between the fair-value, less selling costs, and the relevant value in use, defined as the current value of the future cash flows expected to derive from the asset. Potential value adjustments are reported in the item 'net adjustments/write-backs on tangible assets' in the Income Statement.

If the value of a previously written-down asset is restored, the new book value may not exceed the net book value which would have resulted if no loss for reduction had been acknowledged for that asset in previous years.

A tangible asset is cancelled from the Equity Statement at the moment of assignment or whenever no future financial benefits are expected from its use. Possible differences between assignment value and book value are reported in the Income Statement under the item 'profits (losses) from the assignment of investments'.

3) Intangible assets

Intangible assets is the definition given to non-monetary assets, identifiable even if lacking physical consistency, from which future, financial benefits are likely to derive.

The asset is identifiable whenever:
- it is separable, i.e. can be separated or detached and sold, transferred, licensed, leased or exchanged;
- it derives from contractual or other legal rights, regardless of whether such rights are transferable or separable from other rights and obligations.

The asset is characterized by the fact that it can be controlled by the enterprise as a result of past events, on the assumption that financial benefits to the company will stem from its use. The company controls an asset if it has the power to make use of the future financial benefits deriving from the asset in question and can, furthermore, restrict third-party access to such benefits.

An intangible asset is reported as such if, and only if:
(a) future financial benefits attributable to the asset are likely to derive to the company;
(b) the asset's cost can be reliably measured.

This item chiefly includes goodwill and software.

Intangible assets other than goodwill are initially registered at cost, and prospective costs subsequent to initial registration are capitalized only if able to generate financial future benefits, or only if such expenses can be reliably determined and attributed to the asset.

The cost of an intangible asset comprises:
- purchase price including potential duties and taxes on non recoverable purchases after deducting trade discounts and allowances;
- any direct cost needed to set up the asset for use.

After initial registration, intangible assets with finite useful lives are reported at cost, net of overall depreciation and any value losses which might potentially be incurred.

Depreciation is calculated on a systematic basis over the best estimate of the useful life of the intangible, using the straight line allocation method.

If there is objective evidence that one, single asset may have reduced its value, a comparison is made between the book-value of the asset and its recoverable value, equal to the greater between the fair-value, less sale costs, and the relevant usage value, defined as being the current value of the future cash flows expected to derive from the asset. Possible value adjustments are entered in the Income Statement under the Item 'costs for disposal of assets'.

If the value of a previously impaired intangible asset, other than goodwill, is restored, the new value may not exceed the net book value which would have been determined if no loss for value reduction had been reported over previous years.

An intangible asset is cancelled from the equity statement at the moment of assignment or when no future benefits are expected from its use. Any, potential difference between the relevant assignment and book values is registered in the Income Statement under the item 'income from sale of investments".

4) Payables and outstanding securities

Payables and subordinate, issued liabilities are initially recorded at fair-value, which generally corresponds to the consideration received, net of the transaction costs directly attributable to the financial liability, After initial recognition, these instruments are measured at depreciated cost, using the effective interest method.

Payables deriving from factoring transactions reflect the residual amount to be paid to the assignors, resulting from the difference between the value of the non-recourse receivables acquired and the prepayment implemented.

Financial liabilities are cancelled from the balance-sheet upon settlement or maturity.

Financial liabilities with a lower than 12 month original duration are registered at face-value, because the application of the 'depreciated cost' does not entail significant changes.

5) Hedging Operations

Hedging activities aim at neutralizing losses pertaining to a specific element (or group of elements) attributable to a specific risk, by using profits deriving from a different element (or group of elements) should that particular risk effectively become manifest. The hedging instruments employed by the Company are designed to cover the fair-value of a recognized asset.

Financial hedging derivatives, like all derivatives, are initially recorded and subsequently measured at fair-value and are classified in the balance-sheet on the asset side under item 70 'Hedging derivatives'.' and on the liability side under item 50 'Hedging derivatives'.

With respect to standard hedging the value of the financial assets is recorded in the balance-sheet under item 80 'Adjustment to the value of financial assets subject to standard hedging' and the financial liabilities under item 60 'Adjustment to the value of financial liabilities subject to standard hedging'. Positive adjustment may not be offset by negative adjustment.

A relationship qualifies as hedging and is appropriately recorded in the accounting, only if all the following conditions are met:
- at the start of the hedging operation there is formal designation and documentation of the operation, of the company objectives relating to risk management and of the strategy underlying the application of the hedge. The foregoing documentation shall include the identification of the hedging instrument, the element or operation hedged, the nature of the risk covered and the method used by the company to valuate the effectiveness of the hedging instrument in offsetting exposure to fair-value changes pertaining to the factor covered;
- the hedging is expected to be highly effective;
- hedging effectiveness can be reliably assessed;
- the hedging is measured on an ongoing basis and is considered highly effective for all the reference periods for which it was planned.

Hedging is considered highly effective if, both at start-up and during its useful life, the fair-value changes in the monetary amount hedged are almost totally offset by the fair-value changes of the hedging derivative, i.e. the effective results are between 80% and 125%.

The effectiveness of the hedging is verified during start-up by performing the prospective test and, when the annual financial statements are drafted, the retrospective test; the outcome of the latter justifies the application of hedge accounting inasmuch as it demonstrates its expected effectiveness.

6) Provision for employee severance payment

The Provision for employee severance payment (ESF=TFR) is considered a 'post-employment, defined benefit payment'. Consequently, its registration requires the estimate - using actuarial methods - of the amount of benefits accrued by employees, discounted to their present value. The determination of the foregoing benefits is implemented by an external actuary using the 'Unitary Credit Projection Method'. This method spreads the cost of the benefit uniformly over the employee's working life. Obligations are defined as the discounted value of the average future allocations on the basis of the ratio between the years of service matured and the overall seniority reached at the moment of allocation of the benefit.

Following the supplementary insurance reform pursuant to Legislative Decree nr. 252 of 5th December 2005, the Severance Fund quotas accrued up to 31.12.2006 (or up to the date chosen by the employee - between 1.1.2007 and 30.6.2007 - in case of allocation of the employee's severance payment to Supplementary Insurance) remain with the company and continue to be considered as a 'post-employment, defined benefit service'.

They are, therefore, subject to actuarial valuation, albeit with simplified actuarial assumptions which do not contemplate forecasts relating to future remuneration increases.

ESF quotas, accrued as from 1.1.2007 (date of application of D.lgs. (Legislative Decree) nr. 252) (or from the date falling between 1.1.2007 and 30.06.2007) allocated, at the employee's choice, to supplementary forms of insurance, or left in the company, and transferred by the latter (by companies with more than 50 employees) to the INPS Treasury Fund are, on the contrary, considered as a 'defined contribution' plan.

The costs relating to ESFs maturing during the year are registered in the Income Statement and include the interest matured over the year (interest cost) on the obligation, already existing at the date of the reform. The portions matured over the year and transferred to the Supplementary Insurance plan or to the INPS Treasury Fund are reported under the item 'Severance Indemnities'.

Part A - Accounting standards (Continued)

The introduction, with start-up as from 1st January 2013, of the accounting standard IAS19R, referring to the treatment of 'benefits subsequent to the termination of the employment relations' (including the severance benefit), has led to the elimination of the optional accounting treatment concerning the 'corridor method' with registration in the equity statement of the Defined Benefit Obligation according to the relevant actuarial valuation and registration in the connected actuarial profits/losses as offsetting for Valuation Reserves.

7) Provisions for risks and charges

Provisions allocated to the Fund for risks and charges are reported in the books if and only if:
- an obligation is in progress (legal or implicit) as a result of a previous Event;
- it is likely that, in order to fulfil an obligation, the use of resources expected to produce financial benefits becomes necessary;
- a reliable estimate of the amount deriving from fulfilment of the obligation can be produced.

The amount recorded as provision represents the best estimate of the expense required to fulfil the obligation existing at the reference date of the reports and accounts and reflects the risks and uncertainties which inevitably characterize a plurality of facts and circumstances.

The Funds reserved are periodically re-examined and prospectively adjusted to reflect the best, current estimate. Whenever, as a result of the review, sustaining the burden becomes potential or remote, the provision is written off.

A provision is used only to deal with those charges for which it was originally registered.
Regarding only potential and improbable liabilities, no provision is reported although a description of the nature of such liabilities is supplied in any case.

8) Current and deferred taxation

Current taxes relating to the year and to previous years are acknowledged, for the uncollected amount, as liabilities. Any potential surplus relating to the amount due is recognised as an asset.

Current tax liabilities/assets for the current and previous years are set at the amount expected to be paid/recovered from tax authorities, after application of all the prevailing tax rates and regulations currently in force.
A deferred tax liability is recorded for all taxable, temporal differences.
A prepaid tax asset is recognised for all deductible, temporary differences if it is likely that future taxable income will be earned, against which the prepaid temporary difference may be used.
Prepaid tax assets and deferred tax liabilities are continuously monitored and are quantified on the basis of the tax rates likely to be applied in the period when the tax asset is earned, or the tax liability settled, taking into account the fiscal regulations stipulated by current legislation. Prepaid tax assets and deferred tax liabilities are neither discounted nor offset one against the other.

9) Share-based payments

These are payments to employees implemented as remuneration for work performed, based on shares representing the Holding company's share capital. The foregoing payments comprise the assignment of:
a) rights to subscribe share capital increases against payment (properly known as Stock Options);
b) rights to receive shares on achieving quantitative/qualitative objectives (so-called 'performance shares');
c) shares subject to unavailability clauses (so-called 'restricted shares').

Given the difficulty in estimating reliably the fair-value of the benefits received as counterpart for instruments representing the Holding's capital, reference is made to the fair-value of these instruments, measured at their assignment date.

The fair-value of payments made through share issue is acknowledged as a cost and recorded in the Income Statement under the item staff costs as offset to the item 'Other liabilities', according to the guideline governing accrual, in proportion to the period in which the service is supplied.

10) Revenue

Revenue, as defined by IAS 18, is represented by the gross inflows of economic benefits deriving from a company's ordinary activities and are accounted on the basis of temporal accrual.

Revenue is measured at the fair-value of the consideration received or receivable and is recognised in the accounts whenever it can be estimated reliably.

The outcome of a transaction involving the rendering of services can be estimated reliably when all the following conditions have been met:
- total revenue can be measured reliably;
- the Company is likely to profit from the financial benefits associated with the transaction;
- the transaction's completion can be measured reliably at balance-sheet date;
- any costs incurred for the transaction and those to be sustained for its completion can be measured reliably.

Revenue is recognised only when it is likely that the financial benefits associated with the transaction will be collected by the Company. However, when uncertainty arises regarding the recoverability of an amount already included in the revenue item, the non-collectable amount, or the value whose recovery is no longer probable, is recognised as a cost rather than an adjustment to the revenue originally recorded.

11) Foreign currency transactions

Foreign currency transactions are recognised at the exchange-rate current at the date of the transaction.
Monetary assets and liabilities are converted using the exchange-rate current at closure of the period.
Exchange-rate differences, deriving from the liquidation of such transactions at rates different from those reported at the date of the transaction and exchange-rate differences not performed on monetary assets and liabilities in currency, not yet concluded and different from hedges, are entered in the Income Statement under item 80 'Net result of trading activities'.

12) Further information

Long-term employee benefits

Long-term employee benefits - such as those deriving from length-of-service bonuses allocated on the achievement of a pre-defined seniority of service (25th year), benefits suppressed as from July 1, 2014,- are recorded under the item 'other liabilities - length-of-service bonuses', based on the assessment at balance-sheet date of the liability assumed, determined by a non-Group, external actuary. For this type of benefit the actuarial gains/ losses are immediately recorded in the Income Statement.

A.3 - Information on transfers of financial assets between portfolios

The Company undertook no reclassifications of financial instruments between portfolios, neither during the fiscal period nor during previous periods.

A.4 - Information on fair-value

Qualitative information

This section includes the information on fair value as requested by IFRS 13.
Fair-value is the consideration potentially receivable for the sale of an asset, or paid to transfer a liability, in ordinary transactions between market counterparts on the principle market at the measuring date (exit price)

A.4.1 Fair value Levels 2 and 3: valuation and input techniques employed

The only assets or liabilities, held by the Company, valued at fair value on recurring or non-recurring bases, are hedge derivatives (Interest Rate Swaps).

With respect to the foregoing instruments, not exchanged on an active market, market to model valuation techniques are applied, using input parameters for which there is an active market.

To be more specific, the valuation technique used refers to discounted cash flows, comprising the determination of an estimate relevant to future cash flows expected during the useful life of the instrument. This model requires the estimate of the cash flows and the adoption of market parameters for the discount: the discount rate or margin reflects the credit spread and/or funding required by the market for instruments with similar risk or liquidity profiles in order to define an 'actualised value'.
The fair value of the agreement is given by the amount of actualised future cash flows.

With respect to entries not assessed at fair value, the discounted cash flows technique is also used to estimate the fair value of the outstanding securities. For on demand or short term receivables and payables, substantially equal to the total amount of corresponding items, the balance-sheet value is considered to be an adequate approximation of their fair value. For medium long-term receivables and payables the balance-sheet value is calculated using a current value model appropriate to the risk involved.

A.4.2 Valuation: methods and sensitivity

The Company has no assets or liabilities valued at fair value on a Level 3 recurring or non-recurring basis for which information is required.

A.4.3 Fair value hierarchy

The IFSR 13 standard establishes a fair value hierarchy according to the degree of observability of the inputs of the techniques adopted for the valuations.

The hierarchy level of the fair value associated with the assets and liabilities is defined as the minimum level between all the significant inputs employed.

In general, a valuation input is not considered significant for estimating the fair value of an instrument if the remaining inputs spread most of the fair value variance over a three-month time-band.

Part A - Accounting standards (CONTINUED)

In particular, three, specific level are foreseen:
- Level 1: the fair-value of the instruments classified at this level is determined on the basis of the quotation prices observed on active markets;
- Level 2: the fair-value of the instruments classified at this Level is determined on the basis of valuation models using inputs observable on active markets;
- Level 3: the fair-value of the instruments classified at this level is determined on the basis of valuation models mainly using significant inputs not observable on active markets.

A specific fair value level is associated with the financial instruments on the basis of the observability of the inputs used for their valuation.

Level 1 (prices quoted on active markets): prices quoted (not adjusted) on active markets for identical assets or liabilities whose entity can be accessed at the valuation date. An active market is such when transactions relating to the asset or liability subject to valuation occur with frequency and volumes sufficient to supply information useful to the determination of the relevant price on an ongoing basis.

Level 2 (observable inputs): inputs other than the market prices already included in Level 1, which are directly or indirectly observable for the asset or liability. Inputs are considered observable if developed on the basis of information available to the market regarding current events or transactions and reflect the assumptions that market counterparts would use to valuate the foregoing asset or liability.

Level 3 (non-observable inputs): these are inputs other than those included in Levels 1 and 2, not directly observable on the market as regards the valuation of the asset or liability, or used in determining significant adjustments to fair value. Non-observable inputs must, however, reflect the assumptions which the market participants would employ in valuating the foregoing asset or liability, including assumptions of risk.

When the fair value is measured directly, using an observable and active market quoted price, the process of attribution of the hierarchy will assign Level 1. When the fair value has to be measured through a comparable approach or through the use of a pricing model, the hierarchy attribution process will assign Level 2 or Level 3, according to the observability of all the significant inputs used in the valuation.

QUANTITATIVE INFORMATION

TAV. A.4.5. 1
Financial assets and liabilities measured at fair value on a recurring basis: sharing by fair value Level

(€ thousands)

ASSET AND LIABILITIES MEASURED AT FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
1. Financial assets held for trading	-	-	-	-
2. Financial assets measured at fair value		-	-	-
3. Financial assets available for sale	-	-	2,740	2,740
4. Hedge derivatives	-	455	-	455
Total assets	**-**	**455**	**2,740**	**3,195**
1. Financial liabilities held for trading	-	-	-	-
2. Financial liabilities measured at fair-value	-	-	-	-
4. Hedge derivatives	-	10,525	-	10,525
Total liabilities	**-**	**10,525**	**-**	**10,525**

TAV A.4.5.2
Annual changes to assets measured at fair value on a recurring basis (level 3)

(€ thousands)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE	HEDGE DERIVATIVES	TANGIBLE ASSETS	INTANGIBLE ASSETS
1. Initial balance	**-**	**-**	**2,210**	**-**	**-**	**-**
2. Increases	**-**	**-**	**1,625**	**-**	**-**	**-**
2.1 Purchases	-	-	1,625	-	-	-
2.2 Profits attributed to:	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
of which: Capital gain	-	-	-	-	-	-
2.2.2 Net equity	-	-	-	-	-	-
2.3 Transfers from other portfolios	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases	**-**	**-**	**1,095**	**-**	**-**	**-**
3.1 Sales	-	-	-	-	-	-
3.2 Refunds	-	-	560	-	-	-
3.2 Losses attributed to:	-	-	-	-	-	-
3.2.1 Income statement	-	-	535	-	-	-
of which: Capital losses	-	-	-	-	-	-
3.2.2 Net equity	-	-	-	-	-	-
3.4 Transfers from other portfolios	-	-		-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Final balance	**-**	**-**	**2,740**	**-**	**-**	**-**

TAV A.4.5.4
Financial assets and liabities not measured at fair value or measured at fair value on a non-recurring basis

(€ thousands)

FINANCIAL ASSETS/LIABITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	12.31.2016				12.31.2015			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held at maturity	-	-	-	-	-	-	-	-
2. Receivables	9,295,814	-	-	9,303,676	8,425,987	-	-	8,426,331
3. Tangible assets held for investment	-	-	-	-	-	-	-	-
4. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**9,295,814**	**-**	**-**	**9,303,676**	**8,425,987**	**-**	**-**	**8,426,331**
1. Payables	8,307,982	-	-	8,307,982	7,440,735	-	-	7,440,735
2. Outstanding securities	77,065	-	-	76,338	77,084	-	-	75,621
3. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**8,385,047**	**-**	**-**	**8,384,320**	**7,517,819**	**-**	**-**	**7,516,356**

The fair value of receivables and payables on demand or short-term is assumed at par with book value.

Key:
BV = Balance-sheet value
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 Information on so-called 'day one profit/loss'

The Company implemented no operations entailing 'day one profit/loss' registration.

Part B - Information on Statement of Financial position

Assets	**52**
Section 1 - Cash and cash equivalents - item 10	52
Section 4 - Financial assets available for sale - item 40	52
Section 6 - Receivables - item 60	53
Section 7 - Hedge derivatives - item 70	55
Section 8 - Value adjustments to financial assets subject to generic hedging - item 80	56
Section 10 - Tangible assets - item 100	56
Section 11 - Intangible assets - item 110	58
Section 12 - Tax assets and liabilities (assets -item 120 and liabilities - item 70)	59
Section 14 - Other assets - item 140	61
Liabilities	**62**
Section 1 - Payables - item 10	62
Section 2 - Outstanding securities - item 20	62
Section 5 - Hedge derivatives - item 50	64
Section 7 - Tax liabilities - item 70	64
Section 9 - Other liabilities - item 90	65
Section 10 - Provisions for employee severance pay - item 100	65
Section 11 - Funds for risks and charges - item 110	66
Section 12 - Equity - items 120,150 and 160	67

Part B - Information on Statement of Financial position (Amounts in € thousands)

Assets

Section 1 - Cash and cash equivalents - Item 10

Breakdown of Item 10 "Cash and cash equivalents"

(€ thousands)

ITEMS/VALUES	12.31.2016	12.31.2015
1.1 Cash and stamp values	1	2
Total	**1**	**2**

Section 4 - Financial assets available for sale - Item 40

4.1 Breakdown of 40 "Financial assets available for sale"

(€ thousands)

	12.31.2016			12.31.2015		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3 *	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-
2. Capital securities and OICR quotas *	-	-	-	-	-	-
3. Loans **	-	-	2,740	-	-	2,210
Total	**-**	**-**	**2,740**	**-**	**-**	**2,210**

* The Company's portfolio includes 20 shares issued by Unicredit Business Integrated Solutions ScpA for 173 euros, not quoted and valued at cost.
** The item loans includes joint ventures with Film Companies for 2,740 thousand Euros.

4.2 Financial assets available for sale: breakdown by debtors/issuers

(€ thousands)

ITEMS/VALUES	12.31.2016	12.31.2015
Financial assets	**2,740**	**2,210**
a) Governments and central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Financial agencies	-	-
e) Other issuers	2,740	2,210
Total	**2,740**	**2,210**

Section 6 - Receivables - Item 60

6.1 Receivables from banks

(€ thousands)

BREAKDOWN	12.31.2016 BOOK VALUE	12.31.2016 FAIR VALUE L1	12.31.2016 FAIR VALUE L2	12.31.2016 FAIR VALUE L3	12.31.2015 BOOK VALUE	12.31.2015 FAIR VALUE L1	12.31.2015 FAIR VALUE L2	12.31.2015 FAIR VALUE L3
1. Deposits and current accounts	**28,208**	**-**	**-**	**28,208**	**8,814**	**-**	**-**	**8,814**
2. Loans	**131,441**	**-**	**-**	**131,441**	**131,659**	**-**	**-**	**131,659**
2.1 Re-purchase agreements	-	-	-	-	-	-	-	-
2.2 Financial leasing	-	-	-	-	-	-	-	-
2.3 Factoring	131,441	-	-	131,441	131,659	-	-	131,659
- with-recourse	114,599	-	-	114,599	121,327	-	-	121,327
- non-recourse	16,842	-	-	16,842	10,332	-	-	10,332
2.4 Other loans	-	-	-	-	-	-	-	-
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-
4. Other assets *	**5,805**	**-**	**-**	**5,805**	**5,840**	**-**	**-**	**5,840**
Total book value	**165,454**	**-**	**-**	**165,454**	**146,313**	**-**	**-**	**146,313**

The fair value of receivables on demand and short-term is registered at equivalent to book value.
* The item includes receivables from banks participating in pool factoring transactions.
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Receivables from financial agencies

(€ thousands)

BREAKDOWN	12.31.2016 BOOK VALUE PERFORM.	12.31.2016 BOOK VALUE IMPAIRED PURCHASED	12.31.2016 BOOK VALUE IMPAIRED OTHERS	12.31.2016 FAIR VALUE L1	12.31.2016 FAIR VALUE L2	12.31.2016 FAIR VALUE L3	12.31.2015 BOOK VALUE PERFORM.	12.31.2015 BOOK VALUE IMPAIRED PURCHASED	12.31.2015 BOOK VALUE IMPAIRED OTHERS	12.31.2015 FAIR VALUE L1	12.31.2015 FAIR VALUE L2	12.31.2015 FAIR VALUE L3
1. Loans	**651,458**	**-**	**26**	**-**	**-**	**651,484**	**420,805**	**-**	**-**	**-**	**-**	**420,805**
1.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Financial leasing	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	651,458	-	26	-	-	651,484	420,805	-	-	-	-	420,805
- with-recourse	648,292	-	-	-	-	648,292	377,325	-	-	-	-	377,325
- non-recourse	3,166	-	26	-	-	3,192	43,480	-	-	-	-	43,480
1.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets*	**241**	**-**	**-**	**-**	**-**	**241**	**675**	**-**	**-**	**-**	**-**	**675**
Total book-value	**651,699**	**-**	**26**	**-**	**-**	**651,725**	**421,480**	**-**	**-**	**-**	**-**	**421,480**

The fair value of receivables on demand and short term is registered at equivalent to book value.
* The item includes receivables from financial agencies participating in pool factoring transactions.

Part B - Information on Statement of Financial position - Assets (Continued)

6.3 Receivables from customers

(€ thousands)

BREAKDOWN	12.31.2016						12.31.2015					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
		IMPAIRED						IMPAIRED				
	PERFORM.	PURCHASED	OTHERS	L1	L2	L3	PERFORM.	PURCHASED	OTHERS	L1	L2	L3
1. Loans	**8,194,302**	**-**	**284,333**	**-**	**-**	**8,486,497**	**7,591,706**	**-**	**266,488**	**-**	**-**	**7,858,538**
1.1 Financial leasing	-	-	-	-	-	-	-	-	-	-	-	-
- without final purchase options	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	6,908,622	-	280,539	-	-	7,197,023	6,381,696	-	264,021	-	-	6,646,061
- with-recourse	2,882,142	-	221,736	-	-	3,103,878	2,930,779	-	169,569	-	-	3,100,348
- non-recourse	4,026,480	-	58,803	-	-	4,093,145	3,450,917	-	94,452	-	-	3,545,713
1.3 Consumer credit (including revolving cards)	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Pawnbroking												
1.6 Loans granted for payment services performed	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other loans *	1,285,680	-	3,794	-	-	1,289,474	1,210,010	-	2,467	-	-	1,212,477
- from execution of guarantees and commitments		-		-	-			-		-	-	
2. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total book value	**8,194,302**	**-**	**284,333**	**-**	**-**	**8,486,497**	**7,591,706**	**-**	**266,488**	**-**	**-**	**7,858,538**

The fair value of the receivables on demand and short term is registered at equivalent to balance-sheet value.

* The other loans are made up of invoices issued for receivables from debtors receiving payment extensions and from loans to debtors of transactions foreseeing payment at maturity and from assignments not contemplated in law 52/91 on Factoring, in particular the purchase of tax receivables.
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.4 Receivables - secured assets

(€ thousands)

BREAKDOWN SECURED	12.31.2016					
	RECEIVABLES FROM BANKS		RECEIVABLES FROM FINANCIAL AGENCIES		RECEIVABLES FROM CUSTOMERS	
	VE	VG	VE	VG	VE	VG
1. Performing assets secured by:	**114,599**	**114,599**	**648,292**	**648,292**	**2,882,564**	**2,882,564**
- Financial leasing assets	-	-	-	-	-	-
- Factoring assets *	114,599	114,599	648,292	648,292	2,882,142	2,882,142
- Mortgages	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-
- Personal collateral	-	-			422	422
- Derivatives on receivables	-	-	-	-	-	-
2. Impaired assets secured by:	**-**	**-**	**-**	**-**	**221,736**	**221,736**
- Financial leasing assets	-	-	-	-	-	-
- Factoring assets *	-	-	-	-	221,736	221,736
- Mortgages	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-
- Personal collateral	-	-	-	-	-	-
- Derivatives on receivables	-	-	-	-	-	-
Total	**114,599**	**114,599**	**648,292**	**648,292**	**3,104,300**	**3,104,300**

BREAKDOWN SECURED	12.31.2015 RECEIVABLES FROM BANKS VE	 VG	 RECEIVABLES FROM FINANCIAL AGENCIES VE	 VG	 RECEIVABLES FROM CUSTOMERS VE	 VG
1. Performing assets secured by:	**121,327**	**121,327**	**377,325**	**377,325**	**2,934,416**	**2,934,416**
- Financial leasing assets	-	-	-	-	-	-
- Factoring assets *	121,327	121,327	377,325	377,325	2,930,779	2,930,779
- Mortgages	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-
- Personal collateral	-	-			3,637	3,637
- Derivatives on receivables	-	-	-	-	-	-
2. Impaired assets secured by:	**-**	**-**	**-**	**-**	**169,569**	**169,569**
- Financial leasing assets	-	-	-	-	-	-
- Factoring assets *	-	-	-	-	169,569	169,569
- Mortgages	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-
- Personal collateral	-	-	-	-	-	-
- Derivatives on receivables	-	-	-	-	-	-
Total	**121,327**	**121,327**	**377,325**	**377,325**	**3,103,985**	**3,103,985**

VE = book value of exposures
VG = fair-value of guarantees

* Secured factoring receivables include prepayments on with-recourse transactions and non-recourse receivables assisted by bank sureties. The value of the guarantees for with-recourse transactions amounts to the total receivables, up to the value of the prepaid amount.

Section 7 - Hedge derivatives - Item 70

7.1 Breakdown of item 70 'Hedge derivatives':

(€ thousands)

NOTIONAL VALUE/ FAIR-VALUE LEVELS	12.31.2016 FAIR VALUE L1	 L2	 L3	 VN	12.31.2015 FAIR VALUE L1	 L2	 L3	 VN
A Financial derivatives	-	455	-	88,406	-	2,710	-	537,003
1 Fair value	-	455		88,406	-	2,710		537,003
2 Cash-flows	-	-	-	-	-	-	-	-
3 Foreign investments	-	-	-	-	-	-	-	-
Total A	**-**	**455**	**-**	**88,406**	**-**	**2,710**	**-**	**537,003**
B Credit derivatives	-	-	-	-	-	-	-	-
1 Fair value	-	-	-	-	-	-	-	-
2 Cash-flows	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**455**	**-**	**88,406**	**-**	**2,710**	**-**	**537,003**

7.2 Breakdown of item 70 'Hedge derivatives' hedged portfolios and types of hedging:

(€ thousands)

TRANSACTIONS/TYPES OF HEDGING	FAIR VALUE SPECIFIC RATE RISK	 EXCHANGE-RATE RISK	 CREDIT RISK	 PRICE RISK	 OTHER RISKS	 SPECIFIC	CASH FLOWS SPECIFIC	 STANDARD	 FOREIGN INVESTMENTS
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Receivables		-	-	-		-	-	-	-
3. Financial assets held till maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	455	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**	**-**	**455**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**-**			
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-

Part B - Information on Statement of Financial position - Assets (Continued)

Section 8 - Value adjustment to Financial assets covered by standard hedging - item 80

8.1 Breakdown of item 80 'Adjustment to the value of Financial assets covered by standard hedging':

(€ thousands)

VALUE ADJUSTMENT TO HEDGED ASSETS	12.31.2016	12.31.2015
1. Positive adjustment	**7,862**	**344**
1.1 of specific portfolios:	7,862	344
a) receivables	7,862	344
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative adjustment	**-**	**-**
2.1 of specific portfolios:	-	-
a) receivables	-	-
b) financial assets available for sale	-	-
2.2 overall	-	-
Total	**7,862**	**344**

Section 10 - Tangible assets - Item 100

10.1 Tangible assets for functional use: breakdown of assets valued at cost

(€ thousands)

	12.31.2016	12.31.2015
ITEMS/VALUATION	COST-VALUED ASSETS	COST-VALUED ASSETS
1. Owned	**3**	**29**
a) land	-	-
b) buildings	-	-
c) furniture	3	29
d) electronic equipment	-	-
e) others	-	-
2. Acquired in financial leasing	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
Total	**3**	**29**

10.2 Tangible assets held for investment: breakdown of assets valued at cost

The Company does not hold this type of tangible asset.

10.3 Tangible assets for functional use: breakdown of re-valued assets valued at cost

The Company does not hold this type of tangible asset.

10.4 Tangible assets held for investment: breakdown of assets valued at fair value

The Company does not hold this type of tangible asset.

10.5 Tangible assets: annual changes

(€ thousands)

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHERS	TOTAL
A. Gross initial balance	**-**	**-**	**29**	**-**	**-**	**29**
A.1 Purchases	-	-	-	-	-	-
A.2 Net initial balance	**-**	**-**	**29**	**-**	**-**	**29**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes attributed to:	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange-rate differences	-	-	-	-	-	-
B.6 Transfer of real estate held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**(26)**	**-**	**-**	**(26)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	(26)		-	(26)
C.3 Impaired value adjustments attributed to:	-	-	-	-	-	0
a) net equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	0
C.4 Negative fair value changes attributed to :	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange-rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) assets under divestment	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final balance	**-**	**-**	**3**	**-**	**-**	**3**
D.1 Total net value reductions	-	-	-	-	-	-
D. Gross final balance	**-**	**-**	**3**	**-**	**-**	**3**
E. At cost valuation	**-**	**-**	**3**	**-**	**-**	**3**

The depreciation rate used for furniture and fittings is 12%.

10.6 Tangible Assets used for investment: annual changes

The Company does not hold this type of tangible asset.

10.7 Commitment to purchase tangible assets (IAS16/74.c)

The Company has no commitment to purchase tangible assets.

Part B - Information on Statement of Financial position - Assets (Continued)

Section 11 - Intangible assets - Item 110

11.1 Breakdown of item 110 'Intangible assets':

(€ thousands)

ITEMS/VALUATION	12.31.2016 ASSETS VALUED AT COST	12.31.2016 ASSETS VALUED AT FAIR VALUE OR REVALUED	12.31.2015 ASSETS VALUED AT COST	12.31.2015 ASSETS VALUED AT FAIR VALUE OR REVALUED
1. Goodwill	-	-	-	-
2. Other intangible assets	-	-	-	-
2.1 owned	76	-	546	-
- generated internally	-	-	-	-
- others	76	-	546	-
2.2 purchased in financial leasing				
Total 2	76	-	546	-
3. Assets refereable to financial leasing	-	-	-	-
3.1 unredeemed goods	-	-	-	-
3.2 goods withdrawn after cancellation	-	-	-	-
3.3 other goods	-	-	-	-
Total 3	-	-	-	-
4. Assets granted in operating leasing	-	-	-	-
Total (1+2+3+4)	76	-	546	-
Total	76	-	546	-

This item includes the costs sustained for developing software with companies outside the Group.

11.2 'Intangible assets: annual changes

(€ thousands)

	TOTAL
A. Opening balance	546
B. Increases	-
B.1 Purchases	-
B.2 Write-backs	-
B.3 Positive changes to fair-value attributed to:	-
a) net equity	-
b) income statement	-
B.4 Other changes	-
C. Decreases	(470)
C.1 Sales	-
C.2 Depreciation	(294)
C.3 Adjustments to impaired value attributed to:	(176)
a) net equity	-
b) income statement	(176)
C.4 Negative changes to fair-value attributed to:	-
a) net equity	-
b) income statement	-
C.5 Other changes	-
D. Final balance	76

Section 12 - Tax assets and liabilities (Item 120 asset side and Item 70 liabilities)

12.1 Breakdown of 120 'Fiscal assets: current and prepaid'

(€ thousands)

TAX ASSETS	12.31.2016	12.31.2015
a) current*	-	9,877
b) prepaid	48,846	47,996
Total	**48,846**	**57,873**

12.2 Breakdown of item 70 'Fiscal liabilities: current and deferred'

(€ thousands)

FISCAL LIABILITIES	12.31.2016	12.31.2015
a) current*	979	-
b) deferred	-	1
Total	**979**	**1**

* UniCredit Factoring S.p.A. adheres to the UniCredit Group's funded fiscal debt. The item current tax liabilities is offset with the item current tax assets pursuant to IAS 12.

12.3 Changes to prepaid taxes (offset in Income Statement)

(€ thousands)

	MOVEMENTS	
ITEMS	2016	2015
1. Opening balance	**44,377**	**43,587**
2. Increases	**9,182**	**3,445**
2.1 Prepaid taxes reported in period	9,182	3,160
a) relating to previous periods	3,702	-
b) due to changed accounting standards	-	-
c) write-backs	-	-
d) others	5,480	3,160
2.2. New taxes or tax rate increases	-	-
2.3 Other increases	0	285
3. Decreases	**(4,883)**	**(2,655)**
3.1 Prepaid taxes annulled in period	(4,883)	(2,344)
a) reversals	(4,668)	(2,081)
b) write-downs due to non-recoverability	-	-
c) due to changed accounting standards	-	-
d) others	(215)	(263)
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	(311)
a) changed into tax credits ex-Law nr. 214/2011	-	(311)
b) others		
4. Final balance	**48,676**	**44,377**

12.3.1 Changes to prepaid taxes ex- L 214/2011 (offset in Income Statement)

(€ thousands)

	MOVEMENTS	
ITEMS	2016	2015
1. Opening balance	**37,276**	**36,855**
2. Increases	**5,945**	**429**
3. Decreases	**(2,261)**	**(8)**
3.1 reversals	(2,261)	(8)
3.2 changed into tax credits	-	-
a) deriving from operating losses	-	-
a) deriving from tax losses	-	-
3.3 Other decreases	-	0
4. Final balance	**40,960**	**37,276**

The increase in movements in the table takes account of the offset of the reduction of prepaid taxes to net equity.

Part B - Information on Statement of Financial position - Assets (Continued)

12.4 Changes to deferred taxes (offset in Income Statement)

(€ thousands)

ITEMS	MOVEMENTS 2016	2015
1. Opening balance	**(128)**	**(129)**
2. Increases	**-**	**40**
2.1 Deferred taxes reported in period	-	40
a) relating to previous periods	-	-
b) due to changed accounting standards	-	-
c) others	-	-
2.2. New taxes or increased tax rates	-	-
2.3. Other increases		-
3. Decreases	**(1)**	**(39)**
3.1 Deferred taxes annulled in period	(1)	(39)
a) reversals	(1)	(39)
b) due to changed accounting standards	-	-
c) others	-	-
3.2 Tax rate reductions	-	-
3.3 Other Decreases	-	-
4. Final balance	**(129)**	**(128)**

12.5 Changes to prepaid taxes (offset in Net Equity)

(€ thousands)

ITEMS	MOVEMENTS 2016	2015
1. Opening balance	**3,619**	**3,670**
2. Increases	**253**	**256**
2.1 Prepaid taxes reported in period	215	18
a) relating to previous periods	215	18
b) due to changed accounting standards	-	-
c) Others	-	-
2.2. New taxes or increased tax rates	-	-
2.3 Other increases	38	238
3. Decreases	**(3,702)**	**(307)**
3.1 Prepaid taxes cancelled in period	(3,702)	(307)
a) reversals		(285)
b) write-downs for non-recoverability	-	0
c) due to changed accounting standards	-	0
d) others	(3,702)	(22)
3.2 Tax rate reductions	-	0
3.3 Other decreases		
4. Final balance	**170**	**3,619**

12.6 Changes to deferred taxes (offset in Net Equity)

(€ thousands)

ITEMS	MOVEMENTS 2016	2015
1. Opening balance	**129**	**129**
2. Increases	**-**	**-**
2.1 Deferred taxes reported in period	-	-
a) relating to previous periods	-	-
b) due to changed accounting standards	-	-
c) others	-	-
2.2. New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**0**
3.1 Deferred taxes annulled in period	-	-
a) reversals	-	-
b) due to changed accounting standards	-	-
c) others	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases		-
4. Final balance	**129**	**129**

Section 14 - Other assets - Item 140

14.1 Breakdown of item 140 'Other assets':

(€ thousands)

ITEMS	12.31.2016	12.31.2015
Bills subject to collection to customers awaiting bank collection*	7,928	15,342
Receivables vs tax authorities (inland revenue)	1,651	569
Cautionary deposits	132	114
Receivables vs Insurance companies for expected reimboursment	122	167
Transitory entries	492	126
Improvements to third party goods	19	26
IRES tax credit**	481	786
Others***	620	396
Total	**11,445**	**17,526**

* Assets deriving from upon collection accreditation to customers of effects awaiting Bank settlement.
** Benefit against requests for refunds presented pursuant to art. 2, comma 1 of decree nr. 201 of December 2011 relevant to recovery of IRES and IRAP taxes paid with respect to labour costs.
*** The item includes the amounts invoiced in advance by other in-Group companies.

Part B - Information on Statement of Financial position - Liabilities

Liabilities

Section 1 - Payables - Item 10

1.1 Payables

(€ thousands)

ITEMS	12.31.2016 FROM BANKS	12.31.2016 FROM FINANCIAL AGENCIES	12.31.2016 FROM CUSTOMERS	12.31.2015 FROM BANKS	12.31.2015 FROM FINANCIAL AGENCIES	12.31.2015 FROM CUSTOMERS
1. Loans	8,116,448	-	-	7,219,631	-	-
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other loans	8,116,448	-	-	7,219,631	-	-
2. Other payables	-	6,181	185,353	-	27,661	193,443
Total	**8,116,448**	**6,181**	**185,353**	**7,219,631**	**27,661**	**193,443**
Fair Value - level 1	**-**	**-**	**-**	**-**	**-**	**-**
Fair Value - level 2	**-**	**-**	**-**	**-**	**-**	**-**
Fair Value - level 3	**8,116,448**	**6,181**	**185,353**	**7,219,631**	**27,661**	**193,443**
TOTAL Fair Value	**8,116,448**	**6,181**	**185,353**	**7,219,631**	**27,661**	**193,443**

The fair value of on demand and short term payables is registered as equivalent to book value.

Payables from banks are chiefly made up of the provision implemented with the Holding. This item includes the loans received for investments with UniCredit S.p.A in pool operations.
Payables from customers (‘Other Payables’) chiefly represent the difference between total-receivables and the amount of considerations already prepaid to assignors in relation to non-recourse transactions, amounting to 160,253 thousand euros, and the debt exposure regarding customers, amounting to 25,100 thousand euros.

Section 2 - Outstanding securities - Item 20

2.1 Breakdown of item 20 ‘Outstanding securities’

(€ thousands)

LIABILITIES	12.31.2016 BOOK-VALUE	12.31.2016 FAIR VALUE L1	12.31.2016 FAIR VALUE L2	12.31.2016 FAIR VALUE L3	12.31.2015 BOOK-VALUE	12.31.2015 FAIR VALUE L1	12.31.2015 FAIR VALUE L2	12.31.2015 FAIR VALUE L3
1. Securities	**77,065**	**-**	**-**	**76,338**	**77,084**	**-**	**-**	**75,621**
- bonds	77,065	-	-	76,338	77,084	-	-	75,621
- structured	-	-	-	-	-	-	-	-
- others	77,065	-	-	76,338	77,084	-	-	75,621
- Other securities	-	-	-	-	-	-	-	-
- structured	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
Total	**77,065**	**-**	**-**	**76,338**	**77,084**	**-**	**-**	**75,621**

L1 = Level 1
L2 = Level 2
L3 = Level 3
This item is entirely made up of the subordinated securities listed in detail in Section 2.2.

2.2 Subordinated securities

Subordinated liabilities have the following characteristics:

		BALANCE AT 01.01.16	REFUNDS AND CHANGES	RESIDUAL AMOUNT AT 12.31.16	MATURITY	RATE
capital	Euro thousands	10,000	-	10,000	30/3/2017	For first 5 years: Euribor at 6 months + 30 bps as from 6th year, if not refunded in advance: Euribor 6 months + 90 bps
interest	Euro thousands	24	(6)	18		
Total	**Euro thousands**	**10,024**	**(6)**	**10,018**		

- Typology: infragroup subordinated liability LOWER TIER II TV;
- Effect: 30.03.2007;
- Six-month, variable rate: for first five years Euribor 6 months + 30 bps and as from sixth year, if not refunded in advance, 6 months + 90 bps;
- Refund: full capital refund at maturity;
- Advance refund: subject to Bank of Italy authorization, market conditions checked, the Company reserves the right to proceed, once 60 months have

elapsed as from the date of allocation of the loan and coinciding with the dates foreseen for interest payment, with the advance refund of all or part of the capital still to be repaid, with prior notice of at least one month;
- Subordination clause: in case of liquidation of the Company or subjection to insolvency proceedings, the payable will be refunded only after all the other creditors, not equally subordinated, have been satisfied.
- The subordinated bond loan was subscribed by UniCredit Bank Ireland p.l.c.

		BALANCE AT 01.01.16	REFUNDS AND CHANGES	RESIDUAL AMOUNT AT 12.31.16	MATURITY	RATE
capital	Euro thousands	15,000	-	15,000	30/3/2017	
interest	Euro thousands	21	(9)	12		
Total	**Euro thousands**	**15,021**	**(9)**	**15,012**		Euribor at 6 months + 53 bps

- Typology: infragroup, hybrid, capitalization instrument UPPER TIER II TV;
- Effect: 30.03.2007
- Six-month, variable rate: Euribor 6 months + 53 bps
- Refund: full capital refund at maturity, subject to prior, Bank of Italy consent;
- Subordination clause: in case of liquidation of the Company or subjection to insolvency proceedings, the payable will be refunded only after all the other creditors, not equally subordinated, have been satisfied.
- Loss hedging clause: in case of balance-sheet losses determining a decline in paid-in capital and of provisions lower than the minimum level of capital foreseen for registration in the general List, pursuant to art. 106 TUB, the sums deriving from the loan and the interest matured may be used to offset losses to allow the Company to continue its business activities;
- In case of negative management performance, the right to remuneration may be suspended to the extent needed to avoid or limit as far as possible the emergence of losses;
- The subordinated bond loan was subscribed by UniCredit Bank Ireland p.l.c.

		BALANCE AT 01.01.16	REFUNDS AND CHANGES	RESIDUAL AMOUNT AT 12.31.16	MATURITY	RATE
capital	Euro thousands	24,000	-	24,000	14/12/2017	For 1st 5 yrs: Euribor 6 months + 100 bps from 6th yr, if not refunded in advance: Euribor 6 months + 160 bps
interest	Euro thousands	18	(2)	16		
Total	**Euro thousands**	**24,018**	**(2)**	**24,016**		

- Typology: infragroup subordinated liability LOWER TIER II TV;
- Effect: 14.12.2007;
- Six-month, variable rate: for the first five years Euribor 6 months + 100 bps and as from sixth year, if not refunded in advance, Euribor 6 months + 160 bps;
- Refund: full capital refund at maturity, subject to prior;;
- Advance refund: subject to Bank of Italy authorization, market conditions checked, the Company reserves the right to proceed, as from 14/12/2012 and coinciding with the dates foreseen for the payment of interest, with the advance refund of all or part of the capital still to be repaid, with prior notice of at least one month;
- Subordination clause: in case of liquidation of the Company or subjection to insolvency proceedings, the payable will be refunded only after all the other creditors, not equally subordinated, have been satisfied.
- The subordinated bond loan was subscribed by the Holding.

		BALANCE AT 01.01.16	REFUNDS AND CHANGES	RESIDUAL AMOUNT AT 12.31.16	MATURITY	RATE
capital	Euro thousands	28,000	-	28,000	14/12/2017	
interest	Euro thousands	21	(2)	19		
Total	**Euro thousands**	**28,021**	**(2)**	**28,019**		Euribor at 6 months + 165 bps

- Typology: infragroup, hybrid, capitalization instrument UPPER TIER II TV;
- Effect: 14.12.2007;
- Six-month, variable rate: Euribor 6 months + 165 bps;
- Refund: full capital refund at maturity, subject to prior, Bank of Italy consent;
- Subordination clause: in case of liquidation of the Company or subjection to insolvency proceedings, the payable will be refunded only after all the other creditors, not equally subordinated, have been satisified.
- Loss hedging clause: in case of balance-sheet losses determining decrease of capital paid-in and of provisions under the minimum Level of capital foreseen for registration in the general List, pursuant to art. 106 TUB, the sums deriving from the loan and the interest matured may be used to face losses to allow the Company to continue its business activities;
- In case of adverse management performance, the right to remuneration may be suspended to the extent needed to avoid or limit as far as possible the emergence of losses;
- The subordinated bond loan was subscribed by the Holding.

Part B - Information on Statement of Financial position - Liabilities (Continued)

Section 5 - Hedge derivatives - Item 50

5.1 Breakdown of item 50 'Hedge derivatives'

(€ thousands)

NOTIONAL VALUE/FAIR-VALUE LEVELS	12.31.2016 FAIR VALUE L1	L2	L3	VN	12.31.2015 FAIR VALUE L1	L2	L3	VN
A Financial derivatives	-	10,525	-	923,051	-	3,682	-	347,859
1 Fair value	-	10,525		923,051	-	3,682	-	347,859
2 Cash-flows	-	-	-	-	-	-	-	-
3 Foreign investments	-	-	-	-	-	-	-	-
Total A	**-**	**10,525**	**-**	**923,051**	**-**	**3,682**	**-**	**347,859**
B Credit derivatives	-	-	-	-	-	-	-	-
1 Fair value	-	-	-	-	-	-	-	-
2 Cash-flows	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**10,525**	**-**	**923,051**	**-**	**3,682**	**-**	**347,859**

L1= Level 1
L2= Level 2
L3= Level 3
NV = Notional-value

5.2 Breakdown of item 50 'Hedge derivatives': hedged portfolios and types of hedging

(€ thousands)

TRANSACTION/TYPES OF HEDGING	FAIR VALUE SPECIFIC RATE RISK	EXCHANGE-RATE RISK	CREDIT RISK	PRICE RISK	OTHER RISKS	FAIR VALUE GENERIC	CASH FLOWS SPECIFIC	CASH FLOWS GENERIC	FOREIGN INVESTMENTS
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Receivables		-	-	-	-	-	-	-	-
3. Financial assets held till maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-		-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	10,525	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**10,525**			
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-

Section 7 - Tax liabilities - Item 70

For this item see Section 12 - Tax assets and liabilities.

Section 9 - Other liabilities - Item 90

9.1 Breakdown of item 90 'Other liabilities'

(€ thousands)

ITEMS	12.31.2016	12.31.2015
Payables for Equity Settled Share Based Payments	305	545
Payables vs employees	4,489	2,751
Payables vs other human resources	632	1,616
Payables vs Directors and Auditors	245	196
Sums available to be acknowledged to third parties*	161,413	184,812
Entries still being registered	-	12,080
Payables vs suppliers	2,895	3,300
Other current liabilities	15,262	9,342
Other tax entries	896	834
Transitory entries to be allocated	730	10,949
Total	**186,867**	**226,425**

* The item includes takings collected from debtors, to be re-allocated to their respective credit positions.

Section 10 - Provision for employee severance pay - Item 100

10.1 'Provision for employee severance pay': annual changes

(€ thousands)

	MOVEMENTS	
MOVEMENTS	2016	2015
A. Opening balance	**3,490**	**3,344**
B. Increases	**288**	**395**
B.1 Provisions for the period	60	53
B.2 Other increase changes	228	342
C. Decreases	**(323)**	**(249)**
C.1 Liquidations implemented	(241)	(86)
C.2 Other decrease changes	(82)	(163)
D. Final balance	**3,455**	**3,490**

10.2 Further information

The ESF (Provision for employee severance pay) is included in the defined plans and is therefore determined using the actuarial method described in the Accounting Standards. Here below we indicate the actuarial hypotheses and the reconciliation between the current value of the fund and the relevant liability reported in the balance-sheet.

DESCRIPTION OF CHIEF ACTUARIAL HYPOTHESES	2016	2015
Actualization rate	1.25%	1.75%
Expected inflation rate	1.10%	1.00%

(Values in euro thousands)

RECONCILIATION, BETWEEN CURRENT VALUE OF FUNDS, CURRENT VALUE OF ASSETS FOR SERVICING PLAN + ASSETS AND LIABILITIES REPORTED IN BALANCE-SHEET	2016	2015
Current value of defined benefits plan - ESF (=TFR) EMPLOYEE SEVERANCE FUND	3,455	3,490
Unreported actuarial profits (losses)	-	-
Net liabilities	3,455	3,490

The provision for employee severance pay (ESP) can considered as a 'post-employment, defined benefit payment'. Consequently, its acknowledgment in the balance-sheet required the estimate - using actuarial methods - of the amount of benefits accrued by employees together with the relevant discounting. The determination of such benefits was implemented by a non-Group actuary using the 'Unitary Credit Projection Method'.

Following the supplementary insurance reform pursuant to Legislative Decree nr. 252 of December 5. 2005, the ESF portions accrued up to 31.12.2006 remained with the company, whereas the ESF portions accruing as from January 1, 2007 were, on an employee's-choice basis (exercised within 06.30.2007), allocated to forms of supplementary insurance or to the INPS Treasury Fund.

Part B - Information on Statement of Financial position - Liabilities (CONTINUED)

As a result:
The ESF Fund accrued up to 31.12.2006 (or as from the date of choice - made between 01.01.2007 and 06.30.2007 - by the employee, relating to allocation of his/her ESF to Supplementary Insurance) continues to be a ‘defined benefit’ plan and consequently subject to actuarial valuation, although based on simplified actuarial hypotheses which no longer comprise forecasts on expected remuneration increases.
The portions accrued at 01.01.2007 (or as from the date of choice - made between 01.01.2007 and 06.30.2007 - by the employee relating to allocation of his/her ESF to Supplementary Insurance) were considered as a ‘defined contribution plan’ (because the Company’s obligation ceases when the ESF portions accrued are transferred to the fund chosen by the employee) and, therefore, the relevant cost entailed, pertaining to the period, amounted to the sums transferred to the Supplementary Insurance or to the INPS Treasury Fund.

The costs relating to the ESF accrued over the year were registered in the Income Statement under Item 110 a) Staff Costs and include the interest accrued during the year (interest cost) on the obligation already extant at the date of the Reform, together with the portions accrued over the year and transferred to the Supplementary Insurance or to the INPS Treasury Fund.

The actuarial profits/losses, defined as the difference between the balance-sheet value of the liability and the current value of the obligation at end-of-period, were registered in Net Equity within the framework of the Valuation Reserves.

A variation of -25 basis points in the actualisation rate would entail 87,948 Euros (+2.54%<9 crease in liability; an equivalent rate increase, on the other hand, a liability reduction of 85,557 Euros (-2.48%). Un variation of -25 basis points in the inflation rate would entail a liability reduction of 53,262 Euros (-1.54%); equivalent increase of the rate, on the other hand, a liability increase of 54,012 Euros (+1.56%).

Section 11 - Provision for risks and charges - Item 110

11.1 Breakdown of item 110 ‘Provision for risks and charges’

(€ thousands)

ITEMS	12.31.2016	12.31.2015
Fund for clawback actions	4,528	4,622
Fund for legal disputes	12,557	13,706
Fund for staff claims	7,240	4,700
Other risks funds	9,508	2,407
Total	**33,833**	**25,435**

The Company is currently involved in legal disputes and clawback claims for an overall, maximum risk amounting to 49.9 million Euros (65.9 million at end 2014), hedged by provisions for 17.1 million which represents the best estimate of the costs our Company expects to sustain to cover the foregoing risks.
The Fund for Human Resources Charges refers to the variable, discretional portion of the remuneration.

11.2 Change over period in item 110 ‘Provision for risks and charges’

(€ thousands)

ITEMS	12.31.2016	12.31.2015
1. Opening balance	**25,435**	**23,857**
2. Increases	**15,320**	**8,922**
Fund for clawback actions	0	952
Fund for legal disputes	641	4,246
Fund for staff charges	6,854	3,710
Other risks funds	7,825	14
3. Decreases	**(6,922)**	**(7,344)**
Fund for clawback actions	(94)	(1,570)
Fund for legal disputes	(1,790)	(234)
Fund for staff charges	(4,314)	(2,817)
Other risks funds	(724)	(2,723)
4. Final balance	**33,833**	**25,435**

Section 12 - Net equity - ITEMS 120, 150 and 160

12.1 Breakdown of item 120 'Capital'

(€ thousands)

TYPOLOGIES	12.31.2016	12.31.2015
1. Capital	**414,348**	**414,348**
1.1 Ordinary shares	414,348	414,348
1.2 Other shares	-	-

The number of ordinary shares is 80,300,000.

12.4 Breakdown of item 150 'Share premium'

(€ thousands)

TYPOLOGIES	12.31.2016	12.31.2015
1. Share premiums	**951**	**951**
1.1 Premium deriving from 1997 capital increase	951	951

12.5 Further information

(€ thousands)

ITEMS	LEGAL RESERVE	PROFITS CARRIED FORWARD	STATUTORY RESERVE	OTHER RESERVES	TOTAL
A. Opening balance	**22,724**	**118**	**185**	**191,804**	**214,831**
B. Increases	**5,012**	**-**	**-**	**25,053**	**30,065**
B.1 Allocations of Profits	5,012		-	25,053	30,065
B.2 Other increase changes	-	-	-		-
C. Decreases	**-**	**-**	**-**	**(140)**	**(140)**
C.1 Uses	-	-	-	-	-
- losses hedged	-	-	-	-	-
- distribution	-	-	-	-	-
- transfer to capital	-	-	-	-	-
C.2 Other decrease changes	-	-	-	(140)	(140)
D. Final balance	**27,736**	**118**	**185**	**216,717**	**244,756**

The "Other Reserves" are chiefly made up on undistributed profits.

Analysis of the breakdown of Net Equity with reference to availability and possible distribution (art. 2427, nr. 7 bis)

(€ thousands)

				SUMMARY OF USES IMPLEMENTED OVER 3 PREVIOUS PERIODS	
NATURE/DESCRIPTION	AMOUNT	POSSIBLE USE	PORTION AVAILABLE	FOR HEDGING LOSSES	FOR OTHER REASONS
Capital	**414,348**		**-**		
Capital reserve:	**951**		**-**		
- Share premiums	951	B	-		
Profits reserve	**244,756**		**217,448**		
- Statutory reserve	185	A, B, C	185		
- Legal reserve	27,736	B	-		
- FTA reserve	(447)		-		
- Other reserves *	217,164	A, B, C	217,145		
- Previous period profit	118	A, B, C	118		
Profit for the period	**86,480**		**-**		
Totale	**746,535**	**-**	**217,448**		

Key:
A: for capital increase
B: for loss hedging
C: for distribution to shareholders

* Pursuant to OIC 28 and to art. 2426 comma 5 of the civil code, the unavailable quota regards the amount of installation and enlargement costs reported in the item 'Other Assets', in 2016 it amounted to 19 thousand Euros.

Part C - Information on Income Statement

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Part C - Information on Income Statement (Amounts in € thousands)

Section 1 - Interest - Items 10 and 20

1.1 Breakdown of item 10 'Receivable interest and assimilated revenue'

(€ thousands)

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2016	2015
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets at fair-value	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-
4. Financial assets held till maturity	-	-	-	-	-
5. Receivables	-	135,457	-	135,457	133,187
5.1 Receivables from banks	-	201	-	201	322
5.2 Receivables from financial agencies	-	5,553	-	5,553	5,732
5.3 Receivables from customers	-	129,703	-	129,703	127,133
6. Other assets	-	-	-	-	-
7. Hedge derivatives	-	-	-	-	-
TOTAL	**-**	**135,457**	**-**	**135,457**	**133,187**

Receivable interest, different from the interest reported in the item 'Write-backs', matured in the 2016 period against exposures classified in Impaired Receivables at December 31, amounted to 7,8 million.

1.3 Breakdown of item 20 'Payable interest and assimilated charges'

(€ thousands)

ITEMS/TECHNICAL TYPES	LOANS	SECURITIES	OTHER	2016	2015
1. Payables to banks	(6,069)	-	-	(6,069)	(11,348)
2. Payables to financial agencies	-	-	-	-	-
3. Payables to customers	(58)	-	-	(58)	(1)
4. Outstanding securities	-	(948)	-	(948)	(1,109)
5. Financial trading payables	-	-	-	-	-
6. Financial payables valued at fair-value	-	-	-	-	-
7. Other liabilities	-	-	-	-	-
8. Hedge derivatives	-	-	(3,734)	(3,734)	(760)
Total	**(6,127)**	**(948)**	**(3,734)**	**(10,809)**	**(13,218)**

The decrease in receivable and payable interest is explained by the reduction in rates, whenever there is substantial stability in the average volumes employed.

Section 2 - Fees - Items 30 and 40

2.1 Breakdown of Item 30 'Fee & commission income'

(€ thousands)

DETAIL	2016	2015
1. financial leasing transactions	-	-
2. factoring transactions	71,648	76,223
3. consumer credit	-	-
4. guarantees released	-	-
5. services for:	-	-
- third party fund management	-	-
- foreign exchange brokering	-	-
- product distribution	-	-
- others	-	-
6. collection and payment services	141	146
7. servicing in securitization operations	-	-
8. Other fees: cost recovery from customers for preparation credit-line files, account keeping costs etc.	1,763	1,809
Total	**73,552**	**78,178**

2.2 Breakdown of 40 'Fee & commission expense'

(€ thousands)

DETAIL	2016	2015
1. guarantees received	(3,124)	(1,639)
2. distribution of third party services	-	-
3. collection and payment services	(776)	(501)
4. other fees	(7,182)	(7,580)
4.1 commissions	(3,719)	(4,584)
4.2 costs for re-insurance receivables	(3,463)	(2,996)
Total	**(11,082)**	**(9,720)**

Section 4 - Net result from trading operations - Item 60

4.1 Breakdown of Item 60 'Net result of trading operations'

(€ thousands)

	2016				
ITEMS/INCOME EARNING COMPS.	CAPITAL GAINS	TRADING PROFITS	CAPITAL LOSSES	TRADING LOSSES	NET RESULT
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Capital securities and OICR quotas	-	-	-	-	-
1.3 Loans	-	-	-	-	-
1.4 Other assets	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-
3. Financial assets and liabilities: exchange-rate differences	**-**	**105**	**-**	**-**	**105**
4. Financial derivatives		**-**	**-**	**-**	**-**
5. Derivatives on receivables	**-**	**-**	**-**	**-**	**-**
Total	**-**	**105**	**-**	**-**	**105**

Section 8 - Net adjustments for impairment - Item 100

8.1 'Net adjustments for impairment of Receivables'

(€ thousands)

	VALUE ADJUSTMENTS		WRITE-BACKS			
ITEMS/ADJUSTMENTS	SPECIFIC	PORTFOLIO	SPECIFIC	PORTFOLIO	2016	2015
1. Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
2. Receivables from fin. agencies	**-**	**-**	**-**	**-**	**-**	**-**
Impaired receivables purchased	-	-	-	-	-	-
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
3. Receivables from customers	**(43,018)**	**-**	**21,092**	**6,403**	**(15,523)**	**(5,187)**
Impaired receivables purchased	-	-	-	-	-	-
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
Other receivables	(43,018)	-	21,092	6,403	(15,523)	(5,187)
- for leasing	-	-	-	-	-	-
- for factoring *	(42,483)	-	21,092	6,403	(14,988)	(5,187)
- for consumer credit	-	-	-	-	-	-
- other receivables	(535)	-	-	-	(535)	-
Total	**(43,018)**	**-**	**21,092**	**6,403**	**(15,523)**	**(5,187)**

* Specific value adjustments also include write-offs without using provisions.
The portfolio writebacks are chiefly attributable to an improvement in average risk level.

Part C - Information on Income Statement (CONTINUED)

8.4 Breakdown of sub-item 100.b 'Net adjustments/write-backs for impairment of other financial transactions

There are no adjustments/write-backs for impairment of other financial transactions.

Section 9 - Administration costs - Item 110

9.1 Breakdown of item 110.a 'Staff costs'

(€ thousands)

ITEMS/SECTORS	2016	2015
1. Employees	**(27,583)**	**(24,377)**
a) salaries and wages	(15,391)	(16,029)
b) social security charges	(4,136)	(4,781)
c) severance indemnities	(133)	(149)
d) insurance costs	-	-
e) reserve for human resources severance bonuses	(69)	(66)
f) reserve for retirement and similar obligations	-	-
- defined contributions	-	-
- defined benefits	-	-
g) transfer to external complementary insurance funds	(835)	(799)
- defined contributions	(835)	(799)
- defined benefits	-	-
h) other costs	(7,019)	(2,553)
2. Other human resources	**(2)**	**(5)**
3. Directors and auditors	**(281)**	**(202)**
4. Retirees	**-**	**-**
5. Cost recovery for employees seconded to other companies	**69**	**125**
6. Cost refunds for employees seconded to the Company *	**(3,980)**	**(3,653)**
Total	**(31,777)**	**(28,112)**

* The item 'Cost refunds for employees seconded to the Company' chiefly refers to costs pertaining to seconded staff.
The increase in other costs is attributable to the charges for exits foreseen by the strategic plan on the basis of the agreements. Signed with trade unions representatives.

9.2 Average number of human resources by category

BY CATEGORY	2016	2015
Managers	8.8	10.8
Middle managers	163.4	150.8
Remaining staff	98.4	97.8
Total subordinate staff	**270.5**	**259.4**
Third party staff	30.6	28.9
Other	0.3	0.3
Total	**301.4**	**288.7**

9.3 Breakdown of Item 110.b 'Other administration costs'

(€ thousands)

BY CATEGORY	2016	2015
1) Indirect duties, taxes	**836**	**793**
1a. Paid:	836	793
1b. Unpaid:	-	-
2) DTA guarantee fees	**671**	**-**
3) Miscellaneous costs and expenses	**20,628**	**16,794**
a) Advertising, marketing, communication costs	**185**	**198**
b) Credit risk expenses	**3,536**	**2,645**
c) Indirect staff-based expenses	**997**	**1,049**
d) Information Communication Technology expenses	**7,459**	**5,338**
Hardware expenses: rentals and maintenance	-	-
Software expenses: rentals and maintenance	-	-
ICT communication systems	359	289
ICT service: external staff/outsourced services	7,100	5,049
Financial info providers	-	-
e) Consulting and professional services expenses	**947**	**964**
Consulting	828	850
Legal costs	119	114
f) Real estate costs	**2,481**	**2,189**
Rentals payable for property leasing	1,674	1,664
Utilities	319	317
Other real estate expenses	488	208
g) Operating costs	**5,023**	**4,411**
Security and surveillance services	-	-
Transport and accounting of values	-	-
Insurance	105	107
Mailing expenses and document transport	398	340
Printouts and stationary	31	62
Administration and logistics services	4,428	3,835
Rights, quotas and contributions to category associations and protection funds	60	66
Other administration costs - Others	**1**	**1**
Total (1+2)	**22,135**	**17,587**

The reduction in administration costs compared to the previous year is chiefly due to the cutback in costs relating to Information Communication Technology, to credit risk expenses and to administrative and logistic services.

Part C - Information on Income Statement (Continued)

Section 10 - Net value adjustments write-backs to tangible assets - Item 120

10.1 Breakdown of item 120 'Net adjustments/write-backs to tangible assets'

(€ thousands)

ITEMS/ADJUSTMENTS/ WRITE-BACKS	2016 DEPRECIATION (a)	2016 VALUE ADJUSTMENTS FOR IMPAIRMENT (b)	2016 WRITE-BACKS (c)	2016 NET RESULT (a+b-c)	2015 DEPRECIATION (a)	2015 VALUE ADJUSTMENTS FOR IMPAIRMENT (b)	2015 WRITE-BACKS (c)	2015 NET RESULT (a+b-c)
1. Functional use assets	**(27)**	**-**	**-**	**(27)**	**(42)**	**-**	**-**	**(42)**
1.1 owned	(27)	-	-	(27)	(42)	-	-	(42)
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
c) furniture	(27)	-	-	(27)	(42)	-	-	(42)
d) equipment	-	-	-	-	-	-	-	-
e) other	-	-	-	-	-	-	-	-
1.2 purchased in financial leasing	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-	-	-
d) equipment	-	-	-	-	-	-	-	-
e) other	-	-	-	-	-	-	-	-
3. Assets held for investment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- granted in operating leasing	-	-	-	-	-	-	-	-
Total	**(27)**	**-**	**-**	**(27)**	**(42)**	**-**	**-**	**(42)**

Section 11 - Net value adjustment write backs to intangible assets - Item 130

11.1 Breakdown of item 130 'Net value adjustments/write-backs to intangible assets'

(€ thousands)

ITEMS/ADJUSTMENTS AND WRITE-BACKS	2016 DEPRECIATION (a)	2016 VALUE ADJUSTMENTS FOR IMPAIRMENT (b)	2016 WRITE-BACKS (c)	2016 NET RESULT (a+b-c)	2015 DEPRECIATION (a)	2015 VALUE ADJUSTMENTS FOR IMPAIRMENT (b)	2015 WRITE-BACKS (c)	2015 NET RESULT (a+b-c)
1. Goodwill	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Other intangible assets	**(294)**	**(176)**	**-**	**(470)**	**(307)**	**-**	**-**	**(307)**
2.1 owned	(294)	(176)	-	(470)	(307)	-	-	(307)
2.2 purchased in financial leasing	-	-	-	-	-	-	-	-
3. Assets referable to financial leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4. Assets granted in operating leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(294)**	**(176)**	**-**	**(470)**	**(307)**	**-**	**-**	**(307)**

Section 13 - Net allocations to provisions for risks and charges - Item 150

13 Breakdown of item 150 'Net allocations to provisions for risks and charges'

(€ thousands)

PROVISIONS FOR RISKS AND CHARGES	2016	2015
- Provision for clawback lawsuits	(19)	(952)
- Provision for legal disputes	(2,115)	(4,016)
- Other provisions for risks fund	(8,586)	(5)
- Write-backs on fund for risks and charges	2,482	1,879
Total	**(8,238)**	**(3,094)**

Kindly refer to Table11.1 'liabilities' in the Statement of Financial Position (Breakdown of item 110 'provisions for risks and charges').

Section 14 - Other revenue and operating charges - Item 160

14.1 Breakdown of item 160 'Other revenue and operating costs'

(€ thousands)

ITEMS/OTHER REVENUE AND OPERATING CHARGES	2016	2015
- customers' legal expenses	368	1,265
- dual-purpose use of company cars	58	60
- receivable rentals	6	6
- insurance indemnity	10,263	5,702
- miscellaneous revenue	2,112	1,786
Total other operating revenue	**12,807**	**8,819**
- Other operating costs	(54)	(913)
Total other operating costs	**(54)**	**(913)**
Total other revenue and operating costs	**12,753**	**7,906**

Section 17 - Income tax of financial year revenue from current operations - Item 190

17.1 Breakdown of item 190 'Income tax for the period on current operations'

(€ thousands)

ITEMS/ADJUSTMENTS AND WRITE-BACKS	2016	2015
1. Current taxes	(36,214)	(44,438)
2. Changes in current taxes compared to previous periods	76	1,699
3. Reduction in taxes current for the period	-	-
3.bis Reduction un current taxes for period for tax receivables ex-law nr.214/2011		
4. Changes to prepaid taxes	811	790
5. Changes to deferred taxes	1	1
Taxes for the period	**(35,326)**	**(41,948)**

17.2 Reconciliation between theoretic tax load and effective balance-sheet tax load

(€ thousands)

ITEMS/ADJUSTMENTS AND WRITE-BACKS	2016	2015
Profit (Loss) in current transactions before tax	**121,806**	**142,196**
Theoretic imposable tax rate	27.5%	27.5%
Theoretic taxes	(33,497)	(39,104)
Fiscal effects deriving from:		
+ non-taxable revenue - permanent differences	-	-
- non-deductible tax costs -permanent differences	(5,706)	(464)
- IRAP	(6,763)	(7,865)
+ registration of assets for prepaid and deferred taxes		-
+/- other differences	10,640	5,485
Income tax registered in Income Statement	**(35,326)**	**(41,948)**
Income tax for the period on current transactions	**(35,326)**	**(41,948)**
Difference	**-**	**-**

The effective 2016 tax rate was 29% compared to the 29.54% of the previous year.

Part C - Information on Income Statement (Continued)

Section 19 - Income Statement: Further information

19.1 Breakdown of receivable income and fees

(€ thousands)

ITEMS/COUNTERPARTS	RECEIVABLE INTEREST			RECEIVABLE FEES			2016	2015
	BANKS	FINANCIAL AGENCIES	CUSTOMERS	BANKS	FINANCIAL AGENCIES	CUSTOMERS		
1. Financial leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- real estate	-	-	-	-	-	-	-	-
- movables	-	-	-	-	-	-	-	-
- equipment	-	-	-	-	-	-	-	-
- intangibles	-	-	-	-	-	-	-	-
2. Factoring	**201**	**5,553**	**129,703**	**285**	**1,537**	**71,730**	**209,009**	**211,365**
- on current receivables	154	4,598	62,167	285	1,519	50,192	118,915	145,961
- on future receivables	-	955	6,986	-	18	3,145	11,104	9,641
- on outright purchase receivables	47	-	55,405	-	-	15,237	70,689	55,763
- on receivables purchased at less than original value	-	-	-	-	-	-	-	-
- for other loans	-	-	5,145	-	-	3,156	8,301	-
3. Consumer credit	**-**	**-**	**-**	**-**		**-**	**-**	**-**
- personal loans	-	-	-	-	-	-	-	-
- purpose loans	-	-	-	-	-	-	-	-
- assign. 1/5 remuneration	-	-	-	-	-	-	-	-
4. Guarantees/commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Pawnbroking	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-		-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**201**	**5,553**	**129,703**	**285**	**1,537**	**71,730**	**209,009**	**211,365**

Part D - Further information

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Part D - Further information

Section 1 - Specific references to operations performed

B. Factoring and assignment of receivables

B.1 Gross value and balance-sheet value

B.1.1 Factoring transactions

(€ thousands)

ITEMS/VALUES	12.31.2016 GROSS VALUE	12.31.2016 VALUE ADJUSTMENTS	12.31.2016 NET VALUE	12.31.2015 GROSS VALUE	12.31.2015 VALUE ADJUSTMENTS	12.31.2015 NET VALUE
1. Performing assets	**7,712,443**	**20,922**	**7,691,521**	**6,960,887**	**26,727**	**6,934,160**
- exposures vs assignors (with-recourse)	3,658,061	13,029	3,645,032	3,449,139	19,708	3,429,431
- assignments of future receivables	*231,809*	*371*	*231,438*	*339,590*	*1,801*	*337,789*
- others	*3,426,252*	*12,658*	*3,413,594*	*3,109,549*	*17,907*	*3,091,642*
- exposures vs assigned debtors (non-recourse)	4,054,382	7,893	4,046,489	3,511,748	7,019	3,504,729
2. Impaired assets	**476,427**	**195,860**	**280,565**	**455,898**	**191,877**	**264,021**
2.1 non-performing	**200,724**	**154,161**	**46,562**	**187,762**	**136,434**	**51,328**
- exposures vs assignors (with-recourse)	187,293	144,678	42,614	173,599	126,330	47,269
- assignments of future receivables	*10,601*	*5,147*	*5,454*	*10,169*	*5,373*	*4,796*
- others	*176,692*	*139,531*	*37,160*	*163,430*	*120,957*	*42,473*
- exposures vs assigned debtors (non-recourse)	13,431	9,483	3,948	14,163	10,104	4,059
- purchases below face-value	-	-	-	-	-	-
- others	*13,431*	*9,483*	*3,948*	*14,163*	*10,104*	*4,060*
2.2 Unlikely to pay exposures	**86,191**	**31,949**	**54,242**	**128,073**	**47,931**	**80,142**
- exposures vs assignors (with-recourse)	58,763	17,486	41,277	96,963	35,494	61,469
- assignments of future receivables	*530*	*289*	*241*	*2,917*	*1,308*	*1,608*
- others	*58,233*	*17,197*	*41,036*	*94,046*	*34,186*	*59,861*
- exposures vs assigned debtors (non-recourse)	27,428	14,463	12,965	31,110	12,437	18,673
- purchases below face-value	-	-	-	*0*	*0*	-
- others	*27,428*	*14,463*	*12,965*	*31,110*	*12,437*	*18,673*
2.3 Past-due exposures	**189,512**	**9,750**	**179,761**	**140,063**	**7,512**	**132,551**
- exposures vs assignors (with-recourse)	145,224	7,377	137,846	64,256	3,425	60,831
- assignments of future receivables	33,363	1,695	31,668	55	3	52
- others	111,861	5,682	106,178	64,201	3,422	60,779
- exposures vs assigned debtors (non-recourse)	44,288	2,373	41,915	75,807	4,087	71,720
- purchases below face-value	-	-	-	-	-	-
- others	**44,288**	**2,373**	**41,916**	**75,807**	**4,087**	**71,720**
Total	**8,188,870**	**216,782**	**7,972,086**	**7,416,785**	**218,604**	**7,198,181**

Other assignments

(€ thousands)

ITEMS/VALUES	12.31.2016 GROSS VALUE	12.31.2016 VALUE ADJUSTMENTS	12.31.2016 NET VALUE	12.31.2015 GROSS VALUE	12.31.2015 VALUE ADJUSTMENTS	12.31.2015 NET VALUE
1. Performing assets	**1,123,149**	**307**	**1,122,842**	**1,016,062**	**890**	**1,015,172**
- exposures vs assignors (with-recourse)	88,575	187	88,388	139,320	620	138,700
- assignments of future receivables	-	-	-	-	-	-
- others	*88,575*	*187*	*88,388*	*139,320*	*620*	*138,700*
- exposures vs assigned debtors	1,034,574	120	1,034,454	876,742	270	876,472
2. Impaired assets	**2,338**	**1,659**	**680**	**2,132**	**1,310**	**822**
2.1 non-performing	**-**	**-**	**-**	**-**	**-**	**-**
- exposures vs assignors (with-recourse)	-	-	-	-	-	-
- assignments of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
- exposures vs assigned debtors	-	-	-	-	-	-
- purchases below face-value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.2 Unilikely to pay exposures	**2,338**	**1,659**	**680**	**2,132**	**1,310**	**822**
- exposures vs assignors (with-recourse)	*2,338*	*1,659*	*680*	2,132	1,310	822
- assignments of future receivables	-	-	-	-	-	-
- others	*2,338*	*1,659*	*680*	*2,132*	*1,310*	*822*
- exposures vs assigned debtors	-	-	-	-	-	-
- purchases below face-value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.3 Re-structured exposures	**-**	**-**	**-**	**-**	**-**	**-**
- exposures vs assignors (with-recourse)	-	-	-	-	-	-
- assignments of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
- exposures vs assigned debtors	-	-	-	-	-	-
- purchases below face-value	-	-	-	-	-	-
- others	-	-	-	-	-	-
2.4 Past-due exposures	**-**	**-**	**-**	**-**	**-**	**-**
- exposures vs assignors (with-recourse))	-	-	-	-	-	-
- assignments of future receivables	-	-	-	-	-	-
- others	-	-	-	-	-	-
- exposures vs assigned debtors	-	-	-	-	-	-
- purchases below face-value	-	-	-	-	-	-
- others	-	-	-	-	-	-
Total	**1,125,487**	**1,966**	**1,123,522**	**1,018,194**	**2,200**	**1,015,994**

B.1.2 Purchase transactions for non-factoring impaired receivables

Our Company does not perform this type of transaction.

Part D - Further information (Continued)

B.2 Allocation by residual life

Past-due receivables, if not impaired, are classified in the 'on demand' bracket, if impaired, they are classified according to the estimated maturity for balance-sheet valuations.

B.2.1 With-recourse factoring transactions: prepayments and 'total-receivables

(€ thousands)

	PREPAYMENTS		TOTAL RECEIVABLES	
TIME- FRAMES	12.31.2016	12.31.2015	12.31.2016	12.31.2015
- on demand	1,226,929	1,097,130	2,131,046	2,201,037
- up to 3 months	1,583,711	1,370,955	2,658,479	2,595,855
- over 3 months up to 6 months	478,190	488,898	807,775	820,305
- from 6 months to 1 year	316,383	358,440	441,883	428,059
- over 1 year	261,556	283,577	398,937	325,205
- unspecified duration				
Total	**3,866,769**	**3,599,000**	**6,438,120**	**6,370,461**

The allocation of the with-recourse prepayments by time-band was conventionally implemented in proportion to the maturities of the relevant total-receivables.

Other assignments

(€ thousands)

	PREPAYMENTS		TOTAL RECEIVABLES	
TIME FRAMES	12.31.2016	12.31.2015	12.31.2016	12.31.2015
- on demand	83,946	1,081	88,049	27,626
- up to 3 months	296	-	524	
- over 3 months up to 6 months	-	1,044	-	2,954
- from 6 months to 1 year	3,226	110,328	5,567	108,316
- over 1 year	1,600	27,069	2,049	27,069
- unspecified duration				
Total	**89,068**	**139,522**	**96,189**	**165,965**

B.2.2 Non-recourse factoring transactions: exposures

(€ thousands)

	EXPOSURES	
TIME FRAMES	12.31.2016	12.31.2015
- on demand	782,455	905,140
- up to 3 months	2,270,225	1,815,206
- over 3 months up to 6 months	514,741	391,356
- from 6 months to 1 year	206,874	212,363
- over 1 year	331,022	275,116
- unspecified duration		
Total	**4,105,317**	**3,599,181**

Other assignments

(€ thousands)

	EXPOSURES	
TIME FRAMES	12.31.2016	12.31.2015
- on demand	193,713	14,038
- up to 3 months	14,326	19
- over 3 months up to 6 months	21,286	12,552
- from 6 months to 1 year	173,685	193,317
- over 1 year	631,444	656,546
- unspecified duration		
Total	**1,034,454**	**876,472**

B.3.2 Purchase transactions for non-factoring impaired receivables

Our Company does not perform this type of transaction.

B.3 Ongoing progress of value adjustments

B.3.1 Factoring transactions

(€ thousands)

		INCREASES				DECREASES					
ITEM	INITIAL VALUE ADJUSTS.	VALUE ADJUSTS.	ASSIGNMENT LOSSES	TRANSF. FROM OTHER STATUS	OTHER POSITIVE CHANGES	WRITE-BACKS	PROFITS FROM SALE	TRANSF. FROM OTHER STATUS	CANC.	OTHER NEGATIVE CHANGES	FINAL VALUE AJDUSTS.
Specifications on impaired assets	**191,877**	**42,833**	**-**	**21,753**	**-**	**21,218**	**-**	**21,753**	**17,283**	**-**	**196,209**
Exposures vs assignors	165,249	23,942	-	21,171	-	13,407	-	21,171	5,894	-	169,890
- non-performing	126,330	10,076		21,171	-	7,086	-	-	5,813	-	144,678
- unlikely to pay exposures	35,494	6,769	-	-	-	3,176	-	21,171	81	-	17,835
- past-due impaired	3,425	7,097	-	-	-	3,145	-	-	-	-	7,377
Exposures vs assigned debtors	26,628	18,891	-	582	-	7,811	-	582	11,389	-	26,319
- non-performing	10,104	654		557	-	537	-	25	1,270	-	9,483
- ulikely to pay exposures	12,437	16,192	-	25	-	3,515	-	557	10,119	-	14,463
- past-due impaired	4,087	2,045	-	-	-	3,759	-	-	-	-	2,373
Portfolio on other assets	**26,727**	**-**	**-**	**-**	**874**	**6,043**	**-**	**-**	**-**	**636**	**20,922**
- Exposures vs assignors	19,708	-	-	-	-	6,043	-	-	-	636	13,029
- Exposures vs assigned debtors	7,019	-	-	-	874	-	-	-	-	-	7,893
Total	**218,604**	**42,833**	**-**	**21,753**	**874**	**27,261**	**-**	**21,753**	**17,283**	**636,00**	**217,131**

Other assignments

(€ thousands)

		INCREASES				DECREASES					
ITEM	INITIAL VALUE ADJUSTS.	VALUE ADJUSTS.	ASSIGNMENT LOSSES	TRANSF. FROM OTHER STATUS	OTHER POSITIVE CHANGES	WRITE-BACKS	PROFITS FROM SALE	TRANSF. FROM OTHER STATUS	CANC.	OTHER NEGATIVE CHANGES	FINAL VALUE AJDUSTS.
Specifications on impaired assets	**1,310**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,310**
Exposures vs assignors	1,310		-	-	-	-	-	-	-	-	1,310
- non-performing	-		-	-	-	-	-	-	-		-
- unlikely to pay exposures	1,310		-	-	-	-	-	-	-	-	1,310
- past-due impaired	-		-	-	-	-	-	-	-	-	-
Exposures vs assigned debtors	-		-	-	-	-	-	-	-	-	-
- non-performing	-		-	-	-	-	-	-	-	-	-
- ulikely to pay exposures	-		-	-	-	-	-	-	-	-	-
- past-due impaired	-		-	-	-	-	-	-	-	-	-
Portfolio on other assets	**890**		**-**	**-**	**-**	**583**	**-**	**-**	**-**	**-**	**307**
- Exposures vs assignors	620		-	-	-	433	-	-	-	-	187
- Exposures vs assigned debtors	270		-	-	-	150	-	-	-	-	120
Total	**2,200**		**-**	**-**	**-**	**583**	**-**	**-**	**-**	**-**	**1,617**

B.3.2 Purchase transactions for non-factoring impaired receivables

Our Company does not perform this type of transaction.

Part D - Further information (Continued)

B.4 Further information

B.4.1 Turnover of receivables subject to factoring transactions

(€ thousands)

ITEM	12.31.2016	12.31.2015
1. Non-recourse transactions	17,925,342	13,331,726
- purchases below face-value		-
2. With-recourse transactions *	16,931,331	17,969,492
Total	**34,856,673**	**31,301,218**

* The entry includes 6,521.570 Euro/thousands for 2015 and 7,342,500 euro/thousands for 2016 regarding non-recourse agreements which did not pass the IAS 39 recognition test.

Turnover relevant to the other assignments amounts to 197,890 euro/thousands.

B.4.2 Collection services

There are no receivables requiring collection services only.

B.4.3 Face value of purchase agreements for future receivables

(€ thousands)

ITEM	12.31.2016	12.31.2015
Future receivables purchase agreements: flow over period	3,313,760	5,559,694
Total agreements extant at period closure	10,316,233	10,086,154

Margin between assignor's credit-line and receivables purchased with-recourse

ITEM	12.31.2016	12.31.2015
Margin	2,537,832	2,915,985

The value in this table represents the difference between the credit-line granted to the assignor and the total-receivables relevant only to with-recourse transactions.

D. Guarantees issued and commitments

D.1 Value of guarantees issued and commitments

(€ thousands)

TRANSACTIONS	12.31.2016	12.31.2015
1) Financial guarantees issued at first request	-	-
a) Banks	-	-
b) Financial agencies	-	-
c) Customers	-	-
2) Other financial guarantees issued	129	48
a) Banks		
b) Financial agencies		
c) Customers	129	48
3) Commercial guarantees issued	-	-
a) Banks	-	-
b) Financial agencies	-	-
c) Customers	-	-
4) Irrevocable committments to allocate funds	283,316	492,518
a) Banks	-	-
i) certain use	-	-
ii) uncertain use	-	-
b) Financial agencies	-	-
i) certain use	-	-
ii) uncertain use	-	-
c) Customers	283,316	492,518
i) certain use	-	154,970
ii) uncertain use	283,316	337,548
5) Commitments underlying derivatives on receivables: protection sales	-	-
6) Assets as guarantees for third party obligations	-	-
7) Other irrevocable commitments	-	-
Total	**283,445**	**492,566**

The irrvevocable commitments to allocate funds are made up of the non-prepaid portion relevant to agreements non-recourse from start-up.

D.2 Loans registered in balance-sheet for perfected enforcement
Item not present.

Section 3 - Information on risks and relevant hedging policies

3.1 Credit risks

QUALITATIVE INFORMATION

1. General features
Factoring offers a number of different services to satisfy various company requirements with respect to collection management, securing assigned trading receivables and their potential funding.

The credit risk assumed by the Factor possesses only a few features in common with the credit risk typical of the banking activity. Whereas in banking operations, advances on invoices, as an assimilable technique, is implemented only when cash credit is granted, chiefly on the basis of the customer's credit-worthiness, factoring operations are also based on the characteristics of the receivables to be purchased, on the quality of the single debtors and on the relevant operating modes.

At the moment when the factoring company assumes a risk it valuates both counterparts, the assignor supplier and the assigned debtor. Both of them are analysed to assess their credit-worthiness; the assumption of risk on the foregoing counterparts can assume different operating profiles in relation to the type of product required by the customer/assignor assessed.

When the factor advances the receivables to the assignor, it is subject to cash exposure for an amount equal to the advance granted, which, in general, does not exceed a specific percent of the total-receivables assigned.

In non-recourse agreements, the factoring company guarantees the assignor against the assigned debtor's default, with the exception of cases expressly regulated by the agreement. The factor undertakes to pay the amount pertaining to the assigned receivables once a pre-established period of days has elapsed since the receivables became payable, apart from outright purchase operations where payment (discount) occurs at the same time as the assignment.

With respect to the operating modes adopted, the factoring company is more protected if the purchase transaction relating to the receivables is accompanied by:
- notification to debtors of the perfected assignment of the receivable;
- debtors' recognition of the perfected assignment of the receivable;
- certification of the assigned receivable by State Administration Organisations;
- purchase of trade receivables as against other types of receivables;
- purchase of payable or vesting receivables with respect to funding of future receivables;
- existence of escrow accounts in transactions not-notified on an ongoing basis.

In with-recourse agreements the risk is diversified. The factor becomes owner of the receivable claimed from the assigned debtor, which represents the main source of refunding but, in case of debtor's default, the factor may request payment from the assignor (right of recourse).

The non-recourse agreement, with performance of funding and/or guarantee services, entails for the factor the exposure to the credit risk regarding the assigned debtors.

When the factor supplies exclusively management services, it is not subject to any type of risk exposure.

In general, when the factor performs the funding and/or securing services, the possibility of incurring losses is determined, first of all, by the decline in counterpart credit-worthiness, with the resulting emergence of the assigned debtor's default risk (in both non-recourse and with-recourse transactions) or of the risk of non-refund of the considerations advanced by the assignor in with-recourse transactions.

To be more specific, because the factor performs its services within the framework of pre-existing business relations (between assignor and debtor), the credit risk is characterised mainly by the following, debtor-orientated factors:
- the risk of dilution if debtor refuses to pay, due to events relating to the performance of the underlying supply relations (by way of example we underline offsetting, allowances, disputes regarding product quality and promotional discounts);
- the risk of delayed payment as regards real or conventional maturity (maturity negotiated at purchase of trade receivables) of the purchased receivable currently linked to critical economic situations or to various Italian State Administration Organisations; the delayed payment risk scenario also includes the risk of administrative quashing of funds. This occurs when the sums allocated in the State budjet are not spent by State Organisations within a definite time-frame;

Part D - Further information (Continued)

- the offsetting risk is particularly high in transactions with State Organisations which reserve the right to offset between their own receivables and payables.

2. Credit risk management policies

2.1. Organisational aspects

The regulation of credit risks is based on structures and processes consolidated over time and entrusted to skilled and expert resources.

The initiation process starts off with the Commercial Department, responsible for developing and managing business relations with assignors through the ongoing monitoring of the relevant progress with direct visits and the use of remote instruments. In this respect, one of the tasks is to perceive possible signs of credit-worthiness deterioration relating to the assignor counterpart and therefore to prevent potential losses deriving from such deterioration.

Valuation of the assignor and debtor counterparts is carried out using Group methods comprising the analysis of reports and accounts, the risk centre, trade information and information available to the UniCredit Group. Unicredit Factoring does not, however, have its own rating models for customers shared with the UniCredit Group and counterpart rating, calculated by the Holding and supplemented in the assignors' and debtors' electronic files, constitutes a fundamental support feature as regards the assessment process.

When assuming assignor and debtor risks, the credit risk is assessed by the Credit Operations Department which operates through distinctive structures relating to the granting of credit-lines to assigners and debtors.

The Debtor Management Department manages, on an ongoing basis, business relations with debtor counterparts, by controlling the assigned receivables and implementing surveys/initiatives to secure prompt payments (supervision of maturities and payment reminders).

The Receivables Department also comprises:
- the Credit Monitoring Office, which guarantees maintenance of portfolio quality through ongoing monitoring activities permitting systematic intervention whenever impairment of both assignor/ assigned debtor risk profiles emerge. This activity is performed during the phase previous to the emergence of the default, when there is still a chance that the counterpart (assignor/debtor) may be able to respect its commitments and provide for the transfer of the state of risk associated with the position for improved management protection;
- the Special Credit office ensures the management and monitoring of the Probable Default and Non-performing components and those subject to re-structuring plans, by identifying and adopting the most effective solutions to maximise recovery and by proposing the necessary provisions as regards loss forecasts;
- the Risk Management Office, which ensures:
  - analysis, assessment, measuring and monitoring of the typical risks inherent to company activities (loan-based, operational and market-based) in order to determine the relevant financial and Equity impact);
  - support for the implementation of Group policies;
  - systematic reporting for Senior Management and the Board of Directors;
  - stipulation and monitoring, together with the Holding and in compliance with the latter's guidelines, the risk-level the Company is willing to assume ('Risk Appetite') in order to pursue its strategic and business plan goals, bearing in mind its customers' and shareholders's interests and compatibly with the available financial resources ('Risk Taking Capacity'), the capital requirements imposed by the first pillar as well as the other requirements.
  - support for the management in the measuring and management of cost risks.

2.2. Management, measuring and control systems

Measuring and reporting operations foresee the release of periodic and systematic documents as well as the production of ad hoc estimates supporting different types of decisions.

Within the framework of the mentioned reporting, the most significant documents are the following:
- the 'Credit Tableau de Bord' presented to the Board of Directiors containing the analysis of: i) Total-receivables and their underlying uses with particular focus on the relevant breakdowns (type of assignment, existence of notification and recognition, etc.) defining risk - level and relevant progress; ii) credit quality and provisions for hedging risk-based losses; iii) concentration risk;
- the 'credit monitoring' and 'Risk Appetite Framework' submitted to the Risk Committee which permit the assessment of the evolution of the credit risks assumed by the Company and the potential definition of corrective actions in case of moving towards or exceeding the threshold limits defined in the Framework of 'risk propensity' and/or of the guidelines indicated in the credit and business strategies whose targets and cautionary restrictions are preventively approved by the Board of Directors;
- the monitoring control panel relating to assignors and debtors including anomaly tracing.

2.3 Credit risk mitigation techniques

Management of the guarantees forms an integrating part of the credit process. The primary purpose of guarantee agreements is to maximize the Net Actualised Value of the recoverable sums, thus reducing potential credit losses (LGD) in case of transition to recovery positions. Indeed, despite the fact that guarantees represent an essential feature in the definition of the terms and conditions of the loan agreement (above all for more long-term operations), their collection merely offers subsidiary support to the loan, in no way can it replace the objective capacity of the customer to honour its obligations.

Risk mitigation techniques take into account the aspects peculiar to factoring which, according to the service performed, spreads the risk between the client/assignor and the assigned debtor.

UniCredit Factoring's credit exposures concern chiefly company counterparts and can be secured by 'personal collateral' type guarantees (usually: performance guarantees from private persons or companies) and, less frequently, by 'real' type guarantees (usually: pledges on sums or receivables) issued by natural and legal persons (owners, family members, holding).
Personal guarantees are released, in general, by owners of companies making use of credit-lines, or by their family members.

Among the guarantees acquired by the Company we further underline the following:
- performance guarantees issued by the Holding to hedge exposures in favour of assignors or debtors for sums exceeding 40% of the Company's Supervised Equity, in order to comply with the limits stipulated by the legislation governing 'greater risks' (see paragraph here below). To this end the Company periodically reports the guaranteed positions and takes care to update the guarantees with respect to the evolution of the risk evolution (increase/reduction);
- insurance policies hedging receivables to attenuate the credit risk deriving from private, non-recourse assigned debtor's default.

Concentration risk and considerable exposures
Concentration risk indicates the risk deriving from significant exposure versus single counterparts, groups of connected counterparts or those exercising the same activity or belonging to the same geographic area. The foregoing risk must be contained and monitored, with respect to capital, total assets or the overall risk level, in order to avoid threats to the company's stability or its capacity to carry out the regular performance of its characteristic management.

The issue is dealt with, on a normative basis by part 4 of UE regulation 575 /13 (CRR). In this context the regulations governing the so-called 'greater exposures' refers to total exposures (cash-based and off balance-sheet) versus a single customer or group of customers exceeding 10% of the entities Proprietary Funds and with a 25% limit regarding the Admissible Capital. When calculating the latter account is taken of the exemptions foreseen by the legislation. For 'greater exposures' up to 31.12.2017 (transitory period) the limit has been fixed at 25% with the possibility of raising this to 40% by calculating an added weighting ratio on the surplus.

The legislative framework includes measuring, management and monitoring of the 'concentration risks', both sector-based and single name.

First of all, the Holding of the consolidated group and the single Unicredit group companies, implement a self-assessment of the minimum financial resources deemed necessary for the Group/company to be able face the risks it is taking on. The assessment is based on a series of elements such as: situation and forecasts regarding the domestic and International economic scenarios, at macro-economic level and regarding single activity sectors; concentration of exposures. The ratio between financial resources effectively available (Available Financial Resources) and inside capital defines the so-called 'Risk Taking Capacity', which is the essential feature of the Risk Appetite Framework and of the definition of credit strategies.

In addition to the credit strategies, to avoid excessive concentrations with high risk impacts, group level restrictions are defined, each and every time on both sectorial and individual bases.

With respect to individual risk concentration, the quantitative limits restricting credit exposures are calculated using the Economic Capital approach and for the most part reflect the Rating of the counterpart or of the economic group it belongs to. Compliance with such restrictions is monitored by Holding structures, in collaboration with the CRO (Conversion Rate Optimisation) structures belonging to the Legal Entities.

To guarantee the timely control of risk concentration at Group Level, specific guidelines have been established for the management of the Larger Credit-lines. A 'Larger Credit-line' indicates any credit commitment whatever (direct and indirect) requiring at least one of the following conditions:
- exclusively for direct risks, the total amount of applicant's commitments (single counterpart/financial group) versus all the in-Group Entities, exceeds the amount thresholds defined by the Holding and approved by the competent Bodies of the Entities; for UniCredit factoring, the foregoing threshold is fixed at 75 million Euros in the case of overall risks in the 'Italy region' of the UniCredit Group or at individual level at 10% of the supervised equity;
- the applicant is included in a specific list of counterparts, distributed and regularly updated by the Holding's CRO Function.

2.4 Impaired financial assets
The Company makes use of appropriate regulations, governing the definition regarding both the various states of risk for assignors and debtors (performing, monitored, re-entering, in debt recovery, past-due, probable default, non-performing, with possible indications of "forborne" exposures), and the faculties correlated with the changes pertaining to them, together with the legal faculties linked to the implementation of provisions and write-offs. These regulations also govern the faculties connected with the approval of re-entry plans proposed by assigned debtors and with the acquisition of new guarantees.

Part D - Further information (Continued)

QUANTITIVE INFORMATION

1 - Distribution of credit exposures by owned portfolios and credit quality

(€ thousands)

PORTFOLIO/QUALITY	NON-PERFORMING	UNILIKELY TO PAY	IMPAIRED PAST-DUE EXPOSURES	NOT IMPAIRED PAST-DUE EXPOSURES	OTHER NOT IMPAIRED EXPOSURES	TOTAL
1. Financial assets held for trading	-	-	-	-	2,740	2,740
2. Financial assets held till maturity	-	-	-	-	-	-
3. Receivables vs banks	-	-	-	-	165,454	165,454
4. Receivables vs financial agencies	-	26	-	-	651,699	651,725
5. Receivables vs customers	46,751	55,394	182,188	276,781	7,917,521	8,478,635
6. Financial assets valued at fair value						
7. Financial assets under discharge						
TOTAL at 31/12/2016	**46,751**	**55,420**	**182,188**	**276,781**	**8,737,414**	**9,298,554**
TOTAL at 31/12/2015	**51,515**	**81,542**	**133,431**	**484,943**	**7,676,765**	**8,428,196**

(€ thousands)

PORTFOLIOS/QUALITY	EVIDENT LOW CREDITWORTHY ASSETS	OTHER ASSETS	TOTAL
1. Financial assets held for trading	-	-	-
2. Hedge derivatives	-	455	455
TOTAL at 31/12/2016	**-**	**455**	**455**
TOTAL at 31/12/2015		**2,710**	**2,710**

2 - Credit Exposures

2.1 Credit exposures versus customers: gross and net values

(€ thousands)

	GROSS EXPOSURE							
	IMPAIRED ASSETS							
TYPOLOGIES: EXPOSURES/VALUES	UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR	NOT IMPAIRED ASSETS	SPECIFIC VALUE ADJUSTMENTS	ADJUSTMENTS TO PORTFOLIO VALUE	NET EXPOSURE
A. CASH EXPOSURES								
a) Non-performing				200,537		153,785	-	46,752
- exposures subject to grants							-	-
b) Unilikely to pay	-		1,327	87,570		33,504	-	55,393
- exposures subject to grants				31,736		2,333	-	29,403
c) past-due impaired exposures	-	191,938				9,750		182,188
- exposures subject to grants						-	-	-
d) past-due not impaired exposures					919,493	-	2,582	916,911
- exposures subject to grants						-	-	-
e) Other not impaired exposures					7,294,477	-	17,086	7,277,391
- exposures subject to grants	-					-	-	-
TOTAL A	**-**	**191,938**	**1,327**	**288,107**	**8,213,970**	**197,039**	**19,668**	**8,478,635**
B. OFF BALANCE-SHEET EXPOSURES								
a) Impaired	-	3,680	-	2,855		-		6,535
b) Unimpaired					276,781	-		276,781
TOTAL B	**-**	**3,680**	**-**	**2,855**	**276,781**	**-**	**-**	**283,316**
TOTAL (A+B)	**-**	**195,618**	**1,327**	**290,962**	**8,490,751**	**197,039**	**19,668**	**8,761,951**

The off-balance-sheet exposures include commitments to allocate funds along formal non-recourse lines.
The total amount of partial cancellationsrelating to impaired assets at December 31, 2016 stood at 74,8 million, entirely applied to non-performing positions
Here below in detail the non-impaired, past-due exposures, by time-band, pertinent to the 'performing' portfolio.

(data in € thousands)
past-due up to 3 months: 717,708;
past-due from 3 months to 6 months: 63,446;
past-due from 6 months to 1 year: 26,637;
past-due beyond 1 year: 120,656.

2.2 Credit exposures vs banks and financial agencies: gross and net values

(€ thousands)

	GROSS EXPOSURE							
	IMPAIRED ASSETS							
TYPOLOGIES: EXPOSURES/VALUES	UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR	NOT IMPAIRED ASSETS	SPECIFIC VALUE ADJUSTMENTS	ADJUSTMENTS TO PORTFOLIO VALUE	NET EXPOSURE
A. CASH EXPOSURES								
a) Non-performing				376		376	-	-
- exposures subject to grants								-
b) Unilikely to pay	-			130		104		26
- exposures subject to grants								-
c) past-due impaired exposures	-	-				-		-
- exposures subject to grants	-					-	-	-
d) past-due not impaired exposures					11,553		18	11,535
- exposures subject to grants								-
e) Other not impaired exposures					807,178		1,560	805,618
- exposures subject to grants								-
TOTAL A	**-**	**-**	**-**	**506**	**818,731**	**480**	**1,578**	**817,179**
B. OFF BALANCE-SHEET EXPOSURES								
a) Impaired								-
b) Unimpaired						-		-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B)	**-**	**-**	**-**	**506**	**818,731**	**480**	**1,578**	**817,179**

2.3 Classification of exposures according to internal and external rating
2.3.1 Distribution of cash and 'off balance-sheet' exposures by external rating categories

(€ thousands)

	RATING CATEGORIES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING	TOTAL
A. Cash exposure	-	38,032	380,257	376,347	40,584	-	8,460,594	9,295,814
B. Derivatives	-	-	-	-	-	-	-	-
C. Issued guarantees	-	-	-	-	-	-	-	-
D. Commitments to allocate funds	-	-	-	-	-	-	283,316	283,316
E. Others	-	-	-	-	-	-	-	-
TOTAL	**-**	**38,032**	**380,257**	**376,347**	**40,584**	**-**	**8,743,910**	**9,579,130**

The rating companies used were: Standard & Poor's, Moody's and Fitch.
If, for the same position, there are credit-worthiness assessments of two ECAIs, the assessment corresponding to the higher weighting factor is taken; in case of 3 or more assessments the two assessments corresponding to the lowest weighting factors are considered, using the worst between the two if they are different.

Part D - Further information (Continued)

The classification of the rating categories for the 3 agencies used is as follows:

MERIT CLASS	STANDARD & POOR'S	MOODY'S	FITCH
1	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	from A+ to A-	from A1 to A3	from A+ to A-
3	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	from B+ to B-	from B1 to B3	from B+ to B-
6	CCC+and lower	Caa1 and lower	CCC+and lower

2.3.2 Distribution of cash and 'off-balance-sheet' exposures by internal rating categories

Table not reported because the Company uses the standard credit risk assessment method.

3 - Loan concentration

3.1 Distribution of cash and and off-balance-sheet exposures by counterpart's sector of financial activity

(€ thousands)

	TOTAL
GOVERNMENTS	1,650,289
OTHER STATE AGENCIES	440,568
NON-FINANCIAL FIRMS	6,341,453
FINANCIAL FIRMS	817,179
OTHERS	46,325
TOTAL	**9,295,814**

3.2 Distribution of cash and off-balance-sheet exposures by counterpart's geographic area

(€ thousands)

	TOTAL
NORTH-WEST	3,163,085
NORTH-EAST	1,130,833
CENTRE	3,449,201
SOUTH	369,330
ISLANDS	184,121
CROSS-BORDER	999,244
TOTAL	**9,295,814**

3.3 Greater risks

(€ thousands)

a) Nominal amount	4,582,114
b) Weighted amount	2,581,157
c) Number	20

4 - Models and other methods for credit risk management and measurement

The analytic write-downs are punctually performed on the basis of the losses forecasts implemented each and every time; for the other default positions to which the application of analytic write-downs is not possible, a statistic approach is used (specific write-downs on a lump-sum basis) and finally, for positions not in default, the write-downs are calculated on the basis of assessment models relating to the Expected Loss used by the Holding, adapted to the specificity of the factoring activity, in expection of the setting-up of an internal model.

The relevant calculations are performed in conformity with the Branches of Business Activity (RAE) and the Sectors of Business Activity (SAE) pertaining to the assignors, as regards with-recourse prepayments, and to the debtors concerning total non-recourse receivables.

3.2 Market risks

3.2.1 Interest-rate risk

QUALITATIVE INFORMATION

1. General

In compliance with Group guidelines, already as from December 2012 our Company adopted a specific policy regarding the banking book interest-rate risk, to define the standards, responsibilities and methodologies for the management of the such risks.

The two main yardsticks employed for monitoring the interest-rate risk and setting the relevant limits are the following:
- 'Net Income interest Sensitivity', which measures change in the interest margin over the following 12 months, when no new operations are undertaken, according to the variation of 100 basic points in interest-rates;
- 'Basis Point Value Sensitivity', which measures change in the current value of the interest-rate positions deriving from an instantaneous shock of 1bp in interest-rates. This takes account of the current value of all future cash flows generated by the assets, liabilities and existing derivatives.

In order to manage liquidity and interest-rate risks, the various technical, lending forms can be re-conducted to the two, main types of operation illustrated here below:
- transactions for outright and/or under-discount purchase of receivables: these are fixed-rate transactions with definite durations – though they may be uncertain because the maturity pertaining to the transaction includes an estimated delay for invoice collection compared with their natural maturity;
- standard transactions (non-recourse and with-recourse): these are revolving exposures, on principle revocable at stipulated conditions, usually regulated at a variable rate according to the average monthly reports and liquidated on a monthly/quarterly basis.

On the whole:
- the first case is funded by time deposits;
- the second by a credit-line periodically adjusted to the amount and regulated at a rate consistent with the contractual rate applied to customers.

This permits the minimization of the liquidity risk as well as the interest-rate risk, in itself already limited considering that the transactions performed are almost entirely short-term.

Furthermore, various interest rate swap agreements have been concluded with the Group's Investment Bank to transform from fixed to variable the interest-rate on outright purchase transactions with original duration beyond the short-term.

Part D - Further information (Continued)

QUANTITATIVE INFORMATION

1) Distribution by residual duration (re-pricing date) of financial assets and liabilities

Euros

(€ thousands)

ITEMS/RESIDUAL DURATION	ON DEMAND	UP TO 3 MONTHS	FROM OVER 3 MTHS UP TO 6 MTHS	FROM OVER 6 MTHS UP TO 1 YR	FROM OVER 1 YR UP TO 5 YRS	FROM OVER 5 YRS UP TO 10 YRS	OVER 10 YEARS	UNSPEC. DURATION
1. Assets	**5,625,731**	**1,526,127**	**313,201**	**414,569**	**725,323**	**194,145**	**25,071**	**-**
1.1 Debt securities		-	-	-	-	-	-	-
1.3 Receivables	5,625,731	1,526,127	313,201	414,569	725,323	194,145	25,071	
1.4 Other assets		-	-	-	-	-	-	
2. Liabilities	**5,124,471**	**2,183,236**	**422,271**	**176,201**	**-**	**-**	**-**	**-**
3.1 Payables	5,124,471	2,158,206	370,236	176,201	-	-	-	-
3.2 Debt securities		25,030	52,035	-	-	-	-	-
3.3 Other liabilities		-	-	-	-	-	-	
3. Financial derivatives								
options								
3.1 Long positions		-	-	-	-	-	-	-
3.2 Short positions		-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions		923,051	-	-	-	-	-	-
3.4 Short positions		4,446	3,963	170,409	562,480	160,283	21,470	-

Other currencies

(€ thousands)

ITEMS/RESIDUAL DURATION	ON DEMAND	UP TO 3 MONTHS	FROM OVER 3 MTHS UP TO 6 MTHS	FROM OVER 6 MTHS UP TO 1 YR	FROM OVER 1 YR UP TO 5 YRS	FROM OVER 5 YRS UP TO 10 YRS	OVER 10 YEARS	UNSPEC. DURATION
1. Assets	**201,694**	**208,308**	**61,008**	**-**	**637**	**-**	**-**	**-**
1.1 Debt securities		-	-	-	-	-	-	-
1.3 Receivables	201,694	208,308	61,008	-	637	-		-
1.4 Other assets		-	-	-	-	-	-	
2. Liabilities	**101,752**	**193,306**	**148,127**	**35,683**	**-**	**-**	**-**	**-**
3.1 Payables	101,752	193,306	148,127	35,683			-	-
3.2 Debt securities				-	-	-	-	-
3.3 Other liabilities		-	-	-	-	-	-	
3. Financial derivatives								
options								
3.1 Long positions		-	-	-	-	-	-	-
3.2 Short positions		-	-	-	-	-	-	-
Other derivatives								
3.3 Long positions		-					-	-
3.4 Short positions		-	-	-	-		-	-

Non-performing receivables are classified according to the collection date foreseen and are chiefly included in the time-band ‘from over 5 up to 10 years’.

2. Models and other methods for measuring and managing the interest-rate risk

Sensitivity analysis

At December 31, 2016 the sensitivity of the interest margin to an instant and parallel change in the +100 pbs rates amounted to 5,3 million.
Sensitivity to an instant and parallel change in the +200 pbs rates of the financial value of shareholders’ equity at December 31, 2016 amounted to -12,8 million, substantially attributable to the change in the current value of the non-performing.

3.2.2 Price risk

QUALITATIVE INFORMATION

1. General

The Company neither holds nor has issued any financial instruments exposed to price risks.

3.2.3 Exchange-rate risk

QUALITATIVE INFORMATION

1. General

The exchange-rate risk expresses the risk of incurring losses due to currency and gold price fluctuations.

Company policy relating to the exchange-rate risk foresees that receivables assigned in foreign currency are advanced and funded in the same currency.

With respect to advances in Euros, potential differences or conversion costs inherent to the provision are governed by specific agreements with customers, stipulating that any possible exchange-rate risk is to be charged to the latter.

The Equity hedging needed to cover the exchange-rate risk is determined by applying to the net open position in the exchange-rates an 8% ratio, reduced by 25% for companies belonging to a banking group. At December 31, 2016 the open positions with respect to exchange-rates did not determine any capital uptake.

QUANTITATIVE INFORMATION

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

(€ thousands)

	CURRENCIES					
ITEMS	US DOLLARS	POUNDS STERLING	YEN	CANADIAN DOLLARS	SWISS FRANCS	OTHER CURRENCIES
1. Financial assets	**245,029**	**95,630**	**96,402**	**1,746**	**34,364**	**1,948**
1.1 Debt securities	-	-	-	-	-	-
1.2 Capital securities	-	-	-	-	-	-
1.3 Receivables	245,029	95,630	78,801	1,733	34,363	1,948
1.4 Other financial assets	-	-	17,601	13	1	-
2. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities	**244,036**	**95,067**	**94,951**	**1,714**	**34,243**	**2,069**
3.1 Payables	839	193	-	-	-	-
3.2 Debt securities			-	-	-	-
3.3 Other financial liabilities	243,197	94,874	94,951	1,714	34,243	2,069
4. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total Assets	**245,029**	**95,630**	**96,402**	**1,746**	**34,364**	**1,948**
Total Liabilities	**244,036**	**95,067**	**94,951**	**1,714**	**34,243**	**2,069**
Imbalance (+/-)	**993**	**563**	**1,451**	**32**	**121**	**(121)**

3.3. Operating risks

QUALITATIVE INFORMATION

1. General aspects, management procedures and measuring methods pertaining to the operating risk

In conformity with internal and external Group regulations, the operating risk consists in the possibility of incurring losses due to errors, infringements, interruptions or damage attributable to internal processes, persons, systems or external events.

Operating events can stem from inadequate or disregarded internal procedures, human resources, informative systems or telecommunications, systemic events or other external events, internal or external fraud, inadequate work practices or workplace safety, customers' complaints, product distribution, fines or penalties for failure to comply with provisions or legislative fulfilments, damage to company assets, interruption of informative or communications systems, performance of procedures.

To measure and manage the operating risk, UCF operates in pursuance of the following objectives:

- mapping Company processes (including the mappings required by regulations - Law. 262/2005);
- implementation of computer-based procedures with automatic controls and anomaly-management systems;
- supplying human resources with information needed to identify such operating risks;
- utilisation of Group methods and instruments for Disaster Recovery, Business Continuity and Insurance orientated policies;
- collection of operating loss events through registration in the Group-based application process;
- calculation of the equity requisite with respect to the operating risk, using the "Basic method" or applying a regulation ratio equal to 15% of the average brokering margin of the last three periods.

Part D - Further information (Continued)

QUANTITATIVE INFORMATION

The equity consumption quantified according to the basic method, corresponding to 15% of the average brokerage margin of the last three periods, amounted to 34.4 million at end 2014, against the 35 million at the end of the previous year

3.4 Liquidity risk

QUALITATIVE INFORMATION

1. General aspects, management processes and measuring methods pertaining to the liquidity risk

The Company's 'liquidity policy', already adopted since January 2010, was integrated in December 2012 with respect to Governance and to the responsibilities of the single functions.

We remind you that UniCredit Factoring implements its provisioning exclusively through the Holding, which also monitors our Company as regards the liquidity risk. Our Company belongs, in fact, to the perimeter of the Regional Liquidity Centre Italy which manages liquidity risks at centralised level and accesses capital markets also on behalf of banks/product companies belonging to their own perimeter.

Provisioning is carried out according to the following procedures, within the framework of a credit-line periodically reviewed in relation to approved budgets and development plans, also bearing in mind the characteristics of the loans to be funded:

- **Accessory current account**: this is the chief source for provisions and finances the most stable portion of the revolving lending. It is normally moved on a monthly basis according to the tendential level of such lending;
- **Maturity deposits (from one month or more):** these are the natural type of provision for transactions relating to outright purchase receivables;
- **Very brief maturity deposits (from overnight to 2 weeks):** these are instruments used to cover daily liquidity needs and to finance short-term loan fluctuations;
- **Subordinated liabilities:** together with capital these constitute the main funding source of transactions with over one year maturities;
- **Current account:** the current bank account is the channel through which all UCF's operating activities (allocations, takings, creation and extinction of deposits, changes to accessory accounts etc.) are channelled. The unused credit margin constitutes a ready-to-use liquidity reserve also for hedging sudden cash requirements.

For all the foregoing comments, the Company's liquidity position possesses no significant, autonomous value, but should be viewed within the framework of the Group's Regione Italia funded debt.

QUANTITATIVE INFORMATION

1. Temporal distribution by residual, contractual duration of financial assets and liabilities

(€ thousands)

EUROS

ITEMS/RESIDUAL DURATION	ON DEMAND	FROM OVER 1 DAY UP TO 7 DAYS	FROM OVER 7 DAYS UP TO 15 DAYS	FROM OVER 15 DAYS UP TO 1 MONTH	FROM OVER 1 MONTH UP TO 3 MONTHS	FROM OVER 3 MONTHS UP TO 6 MONTHS	FROM OVER 6 MONTHS UP TO 1 YEAR	FROM OVER 1 YEAR UP TO 3 YEARS	FROM OVER 3 YEARS UP TO 5 YEARS	OVER 5 YEARS	UNSPEC. DURATION
Cash assets	**1,884,037**	**664,229**	**232,839**	**1,247,608**	**1,675,892**	**968,311**	**888,516**	**815,193**	**164,192**	**279,913**	**-**
A.1 State securities	-	-	-	-	-	-	-				
A.2 Other debt securities						-	-				
A.3 Loans	1,884,037	664,229	232,839	1,247,608	1,675,892	968,311	888,516	815,193	164,192	279,913	
A.4 Other assets											
Cash liabilities	**1,883,734**	**664,229**	**509,261**	**971,186**	**1,675,892**	**975,135**	**678,625**	**450,445**	**-**	**104,495**	**-**
B.1 Payables to					-	-	-				
- banks	1,839,287	660,309	500,000	944,287	1,605,277	923,952	623,440	449,500	-	104,000	
- financial agencies	6,181										
- customers	38,201	3,920	9,261	26,899	45,615	51,183	3,185	945	-	495	
B.2 Debt securities	65				25,000		52,000	-			
B.3 Other liabilities											
Off balance-sheet transactions			**-**	**-**	**-**	**-**	**-**				
C.2 Financial derivatives without capital exchange											
- Positive differentials	-	-	-	-	(10,069)						-
- Negative differentials	-		-		10	10	258	3,207	1,672	4,912	
C.4 Irrevocable commitments to grant loans											
- Long positions					(283,316)						
- Short positions					283,316						

The accessory current account opened with the Holding, amounting to 4 billion at December 31, was divided over the single time-bands according to the guidelines used for allocating lending, privileging substance, purposes of the provision, over form, on demand.

OTHER CURRENCIES

(€ thousands)

ITEMS/RESIDUAL DURATION	ON DEMAND	FROM OVER 1 DAY UP TO 7 DAYS	FROM OVER 7 DAYS UP TO 15 DAYS	FROM OVER 15 DAYS UP TO 1 MONTH	FROM OVER 1 MONTH UP TO 3 MONTHS	FROM OVER 3 MONTHS UP TO 6 MONTHS	FROM OVER 6 MONTHS UP TO 1 YEAR	FROM OVER 1 YEAR UP TO 3 YEARS	FROM OVER 3 YEARS UP TO 5 YEARS	OVER 5 YEARS	UNSPEC. DURATION
Cash assets	**107,762**	**24,918**	**11,233**	**71,256**	**159,096**	**87,891**	**12,264**	**664**	**-**	**-**	**-**
A.1 State securities	-	-	-	-	-	-	-				
A.2 Other debt securities						-	-				
A.3 Loans	107,762	24,918	11,233	71,256	159,096	87,891	12,264	664	-	-	
A.4 Other assets											
Cash liabilities	**99,363**	**12,509**	**185**	**37,043**	**144,830**	**142,432**	**35,683**	**-**	**-**	**-**	**-**
B.1 Payables to					-	-	-				
- banks	96,376	12,466	-	36,802	143,827	141,242	35,683				
- financial agencies											
- customers	2,987	43	185	241	1,003	1,190	-				
B.2 Debt securities											
B.3 Other liabilities											
Off balance-sheet transactions			**-**	**-**	**-**	**-**	**-**				
C.2 Financial derivatives without capital exchange											
- Positive differentials											
- Negative differentials											
C.4 Irrevocable commitments to grant loans											
- Long positions											
- Short positions											

Current accounts held in currency, opened with the Holding were divided over the single time-bands according to the standards regulating the allocation of lending, privileging substance, purposes of the provision, over form, on demand.

Section 4 - Information on Equity

4.1 Company Equity

4.1.1 QUALITATIVE INFORMATION

Company Equity constitutes the amount of own means allocated to the achievement of company purposes and to protection against the risks connected with Company activities. An adequate business wealth is, therefore, fundamental to the development of the Company and at the same time ensures solidity and stability over time.

UniCredit Factoring, in compliance with in-Group policies, pays great attention to capital management with a view, not only to maximising returns for the shareholder, but also to sustaining the growth of lending.

The entity of the capital subject to monitoring was defined by EU Regulation nr. 575/2013 of June 26, 2013 (CRR) and by circular nr. 288 of April 3, 2015 and subsequent amendments of the Bank of Italy’s “Supervising Instructions for Financial Brokers”, which stipulates that brokers which do not collect savings from the general public must maintain an equity requirement against credit risk and counterpart amountin to 6% of the weighted risk exposure.

From an organisational angle the monitoring of equity ratios is performed by the Planning, Finance and Administration Department, on a monthly basis, both for the final balance and as regards prospects.

Management of capital is implemented in coordination with the Holding’s appointed structures, by using as chief levers, on one side the dividends policy and the issuing of subordinated loans and, on the other, the issuing of performance bonds and trade lists.

Part D - Further information (Continued)

4.1.2 QUANTITATIVE INFORMATION

4.1.2.1 Company equity: breakdown

(€ thousands)

VALUES/ITEMS	12.31.2016	12.31.2015
1. Capital	414,348	414,348
2. Share premiums	951	951
3. Reserves	245,222	215,157
- profits	245,222	215,157
a) legal	27,736	22,724
b) statutory	185	185
c) own shares	-	-
d) others *	217,301	192,248
4. (Own shares)	-	-
5. Valuation reserves	(466)	(326)
- Financial assets available for sale	-	-
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investments hedging	-	-
- Cash-flows hedging	-	-
- Exchange-rate differences	-	-
- Not current assets and groups of assets held for sale	-	-
- Special revaluation laws	-	-
- Actuarial profits/losses relating to defined benefit insurance plans	(466)	(326)
- Share of valuation reserves relating to shareholdings valued at net equity	-	-
6. Capital instruments	-	-
7. Profit (loss) for the period	86,480	100,247
Total	**746,535**	**730,377**

* The item 'Other provisions' includes undistributed profits.

4.2 Own Funds and Supervisory equity

4.2.1 Own Funds

4.2.1.1 QUALITATIVE INFORMATION

Own Funds represent the first protection against the risks lined to the activities of financial brokers and the principal reference parameter for prudential institutes and for assessments implemented by the Supervisory authority. The regulations dictate the procedures for determining own funds, the guidelines and limitations for calculating the items constituting them.

Our own funds at December 31, 2016 were determined in compliance with the provisions stipulated by EU Regulation nr. 575/2013 of June 26, 2013 (CRR) and by circular nr. 288 of April 3, 2015 and subsequent amendments of the Bank of Italy's "Supervising Instructions for Financial Brokers". Class 1 basic capital (CET 1) is made up of the Company's own funds because no deductions or prudential filters are applicable. Class 1 basic capital comprises the entire profit for the period net of dividend to be distributed, in line with the sharing of profits proposed by the Board of Directors at the Shareholders' meeting.

Class 2 capital is represented by hybrid equity-settled instruments calculated net of amortisation quotas in compliance with EU Regulation nr. 575/2013 of June 26, 2013 (CRR).

4.2.1.2 QUANTITATIVE INFORMATION

(€ thousands)

VALUES/ITEMS	12.31.2016	12.31.2015
A. Basic class 1 equity (Common Equity Tier 1 – CET1) before prudential filters of which CET 1 subject to transitory provisions	686,194 205	660,278 83
B. Prudential filters of CET1 (+/-)	-	-
C. CET1 gross of items to be deducted and of transitory provisions effects (A +/- B)	686,194	660,278
D. Items to be deducted from CET1	76	546
E. Transitionary provisions – Impact on CET1 (+/-)	0	0
F. TOTAL basic class 1 equity (Common Equity Tier 1 – CET1) (C– D +/-E)	686,118	659,732
G. Additional class 1 equity (Additional Tier 1 – AT1) gross of items to be deducted and effects of transitory provisions of which AT 1 subject to transitory provisions	- -	- -
H. Items to be deducted fromAT1	-	-
I. Transitory provisions- impact on AT1 (+/-)		
L. Total basic class 1 equity (Additional Tier 1 – AT1) (G - H +/- I)	-	-
M. class 2 equity (Tier 2 –T2) gross of items to be deducted and of transitory provisions effects of which T2 instruments subject to transitory provisions	6,067 -	56,600 -
N. Items to be deducted from T2	-	-
O. Transitory provisions - Impact on T2 (+/-)	-	-
P. Total class 2 equity (Tier 2 –T2) (M - N +/- O)	6,067	56,600
Q. Total own funds (F + L + P)	692,185	716,332

Class 2 capital at 31/12/2015 included two subordinated loans no longer calculated pursuant to the new regulations adopted during 2016.

4.2.2 Adequacy of equity

4.2.2.1 QUALITATIVE INFORMATION

The level of equity adequacy is monitored regularly:
- at final balance, each end of month, by applying to the letter all the rules governing the drafting of the quarterly reports addressed to the Supervisory body;
- prospectively, usually every quarter, according to the evolution and expected Breakdown of Receivables and Equity.

Should intervention be appropriate, possible options are assessed, together with the Holding, which, among others, contemplate capital increase, a specific profit distribution policy, issue of capital instruments computable in the Supplementary Equity, assignment of receivables

Part D - Further information (Continued)

4.2.2.2 QUANTITATIVE INFORMATION

(€ thousands)

	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/REQUISITES	
CATEGORY/VALUES	12.31.2016	12.31.2015	12.31.2016	12.31.2015
A. Risk bearing assets				
A.1 Credit and counterpart risk	**10,300,271**	**9,595,015**	**6,457,388**	**6,164,347**
1. Standardized method	10,300,271	9,595,015	6,457,388	6,164,347
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. SUPERVISORY EQUITY REQUISITES				
B.1 Credit and counterpart risk			**387,443**	**369,861**
B.2 Credit assessment adjustment risk				
B.3 Regulations risk				
B.4 MARKET RISKS			**-**	**-**
1. Standardized method			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operating risks			**32,314**	**34,363**
1. Basic method			32,314	34,363
2. Standardized method			-	-
3. Advanced method			-	-
B.6 Other cautionary requisites			**-**	**-**
B.7 Other calculation features			**-**	**(101,056)**
B.8 Total cautionary requisites			**419,757**	**303,168**
C. RISK-BEARING ASSETS AND SUPERVISORY COEFF.				
C.1 Weighted risk assets			6,997,349	5,053,811
C.2 Class 1 basic capital1/Weighted risk assets (CET 1 capital ratio)			9.81%	13.05%
C.3 Supervisory equity including TIER 3/weighted risk assets (Total capital ratio)			9.81%	13.05%
C.4 Total own funds/weighted risk assets(Total capital ratio)			9.89%	14.17%

Item B.7 includes the 25% reduction of requisites, foreseen for brokers belonging to Italian banking groups for 2015. The weighted risk assets, reported in Item C.1, used also to calculate the ratios reported in items C.2, C.3 and C.4 are calculated as the product between the total, prudential requisite (Item B.8) and 16.67 (inverse proportion of the minimum, obligatory ratio, equal to 6%).

Section 5 - Analytical Statement of Comprehensive Income

(€ thousands)

ITEMS		GROSS AMOUNT	INCOME TAX	NET AMOUNT
10	**Profit (Loss) for the period**	**121,806**	**(35,326)**	**86,480**
	Other income producing components			
20	**Tangible assets**	**-**	**-**	**-**
30	**Intangible assets**	**-**	**-**	**-**
40	**Defined benefit plans**	**(193)**	**53**	**(140)**
50	**Non-current assets under discharge**	**-**	**-**	**-**
60	**Quota of valuation reserves of net equity valued stock**	**-**	**-**	**-**
	Other income items with reversal to income statement			
70	**Cross-border investments hedging:**	**-**	**-**	**-**
	a) fair-value changes	-	-	-
	b) reversal to Income Statement	-	-	-
	c) other changes	-	-	-
80	**Exchange-rate differences:**	**-**	**-**	**-**
	a) fair-value changes	-	-	-
	b) reversal to Income Statement	-	-	-
	c) other changes	-	-	-
90	**Cash-flow hedging:**	**-**	**-**	**-**
	a) fair-value changes	-	-	-
	b) reversal to Income Statement	-	-	-
	c) other changes	-	-	-
100	**Financial assets available for sale:**	**-**	**-**	**-**
	a) value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment adjustments	-	-	-
	- profits/losses on disposals	-	-	-
	c) other changes	-	-	-
110	**Non-current assets under divestment**	**-**	**-**	**-**
	a) fair-value changes	-	-	-
	b) reversal to Income Statement	-	-	-
	c) other changes	-	-	-
120	**Quota of reserves from valuation of net equity valued stock**	**-**	**-**	**-**
	a) fair-value changes	-	-	-
	b) reversal to Income Statement	-	-	-
	- adjustments from impairments	-	-	-
	- profits/losses on disposals	-	-	-
	c) other changes	-	-	-
130	**Total other income-producing components**	**-**	**-**	**-**
140	**Comprehensive income (Item 10+110)**	**121,613**	**(35,273)**	**86,340**

Section 6 - Transactions with related parties

The types of related parties, as defined in IAS 24 and significant for UniCredit Factoring, include the:
- Holding company;
- Holding controlled companies;
- “managers with strategic responsibilities” employed by UniCredit Factoring and the Holding;
- the immediate family members of “managers with strategic responsibilities” and companies controlled by (or connected with) any manager with strategy responsibilities or his/her immediate family members;
- pension funds in favour of Group employees.

Managers with strategic responsibilities are persons who, in relation to the Holding or to UniCredit Factoring, have powers and responsibilities, directly or indirectly, relating to the planning, management and control of Company activities. This category includes, besides the Chief Executive Officer and the other members of the Board of Directors, also the members of the Executive Management Committee.

Part D - Further information (Continued)

6.1 Information on remuneration for managers with strategic responsibilities

Information relating to remuneration for managers with strategic responsibilities is illustrated in the following table, as required by IAS 24 and in line with Bank of Italy indications contemplating the inclusion of remuneration paid to members of the Board of Auditors.

(€ thousands)

REMUNERATION FOR MANAGERS WITH STRATEGIC RESPONSIBILITIES	2016	2015
a) short-term benefits for employees	1,582	1,616
b) benefits after work relations	-	-
relevant to defined services plans	-	-
relevant to defined contributions plans	-	-
c) other long-term benefits	-	-
d) retirement indemnitiies	-	-
e) stock options	-	-
Total	**1,582**	**1,616**

6.2 Receivables and Guarantees issued in favour of Directors and Auditors

The Company has issued no receivables and guarantees in favour of Directors and Auditors.

6.3 Information on transactions with related parties

To ensure ongoing compliance with the legislation and regulations currently in force regarding company information on transactions with related parties, UniCredit Factoring identifies the transactions in question.

Within this framework, in agreement with the instructions stipulated by the Holding, guidelines for identifying transactions concluded with related parties have been defined in conformity with Consob indications.
The transactions in question were usually performed under the same conditions as those applied for transactions concluded with independent, third-party entities.

Infra-group transactions were undertaken on the basis of mutual financial interest valuations and the definition of the terms and conditions to be applied took place in compliance with the guidelines governing substantial propriety, bearing in mind the common aim of creating value for the entire group.

The same principle was applied also to the performance of infra-group services, together with the principle of regulating such services on a minimum basis, proportionate to the recovery of the relevant production costs.
The following synergies were activated and are producing positive effects:

- the premises situated in Milan, Via Livio Cambi 5, headquarters of the Company, were leased from UniCredit Business Integrated Solutions S.C.p.A., service line Real Estate, which also performs the relevant ordinary and extraordinary maintenance;
- UniCredit S.p.A. branch offices perform development activities on behalf of the Company according to the convention signed in 2011 between UniCredit factoring S.p.A. and the CIB and CCI divisions;
- the Holding manages human resources administration, mailing, activities relating to special laws, with an internal referent, soft collection, for the recovery of past-due and unpaid receivables and back office activities with the service line Business Transformation, UniCredit Business Integrated Solutions S.c.p.A, an in-Group Company, supplying technological outsourcing operational purchase-based activities. The pooling of these activities has encouraged the use of specific levels of expertise;
- in application of Group policy, auditing is entrusted to the Insourced Auditing Services (UniCredit S.p.A Internal Audit) in compliance with a detailed service agreement, signed between UniCredit Factoring SpA and UniCredit SpA). A referent of Insourced Auditing Services, co-adjuvated by three other resources, operates within the Company on an exclusive basis.

The following table indicates the assets, liabilities, guarantees and commitments extant at December 31, 2016, together with the financial data relating to the period, identified separately according to the different types of related parties. The principle item is represented by loans and current accounts in euros and other currencies for provisioning operations.

Transactions with related parties (€ thousands)

	STOCKS AT 12.31.2016			
	HOLDING	HOLDING CONTROLLED COMPANIES	MANAGERS WITH STRATEGIC RESPONSIBILITIES	OTHER RELATED PARTIES
EQUITY ITEMS				
Receivables vs Credit agencies	18,710	9,470	-	-
Receivables vs Financial agencies	-	-		-
Receivables vs Customers	-	-	-	-
Other asset items	29,408	455	-	-
Total assets	**48,118**	**9,925**	**-**	**-**
Payables vs credit agencies	8,087,388	-	-	-
Securities and financial liabilities	52,035	25,030	-	-
Other liability items	2,754	15,872	-	-
Total liabilities	**8,142,177**	**40,902**	**-**	**-**
Guarantees issued and commitments				
FINANCIAL ITEMS				
Interest earned and assimilated revenue	23		-	-
Interest paid and assimilated charges	(3,916)	(6,873)	-	-
Fees earned	-	-	-	-
Fees paid	(4,899)	(416)	-	-
Administration costs: other costs for human resources	(3,636)	(173)	(1,167)	-
Administration costs: other administration costs	(2,945)	(9,534)	-	-
Other operating revenue	-			
Total income statement	**(15,373)**	**(16,996)**	**(1,167)**	**-**

In conclusion we underline, in compliance with the provisions currently in force, that during the 2016 fiscal period no atypical and/or unusual operations were performed, either with related parties or with legal entities different from the latter, which, as regards significance/importance, might cause doubts regarding the protection of Company Equity.

Section 7 - Further information

Part I) Payment agreements based on own equity instruments

A. Qualitative information

1. Description of payment agreements based on own equity instruments

1.1 Outstanding instruments

Within the framework of the long/medium term incentivation plans addressed to Company resources, the following types of instruments are identifiable:
Equity-Settled Share Based Payments foreseeing the payment of shares;
Cash Settled Share Based Payments foreseeing the payment of cash (only for FinecoBank and Pioneer)

The first category includes assignments of:

- **Stock Options** assigned to selected beneficiaries belonging to Top and Senior Management and Key Group resources, represented by subscription rights for UniCredit shares;
- **In-Group Executive Incentive System** which offers to selected Group Executives a variable remuneration profile with payment implemented within five years. The beneficiaries will receive a payment in cash and/or shares in relation to compliance performance conditions (different from market conditions) according to the regulations governing the Plans;
- **In-Group Executive Incentive System (Bonus Pool)** offered to selected in-group Executives and to significant resources identified on the basis of normative requirements, a bonus structure comprising immediate payments (following performance valuation and deferred payments, in cash and ordinary UniCredit shares over a time-band between 1 and 6 years. This payment structure guarantees alignment with the shareholders' interests and is subject to the verification of malus clauses (applied if specific thresholds of profitability, capital and liquidity are not reached both at Group level and at Country/Division levels) and of clawbacks (inasmuch as legally applicable) pursuant to the stipulations of the plan (both representing vesting conditions different from market conditions);
- **Employee Share Ownership Plan (ESOP)** which offers to eligible in-Group employees the opportunity to purchase ordinary UniCredit shares with the following advantages: assignment of a number of free shares ('free shares or rights to receive them) measured on the number of shares purchased by each participant (Investment Shares) during the "Subscription period". The assignment of the free shares is subject to compliance with the "vesting" conditions (different from market conditions) established by the Regulations governing the Plan;
- **FinecoBank Stock granting reserved to subordinate human resources** offering to selected FinecoBank Executives and to important staff identified pursuant to regulatory requisites, a bonus structure made up of immediate payments (following performance valuation) and deferred payments, in cash and in ordinary FinecoBank shares, subject to the verification of malus clauses and clawbacks (inasmuch as legally applicable) according to the stipulations of the regulations governing the plan (only for FinecoBank).

Part D - Further information (Continued)

The second category includes:
- assignments comparable to the Share Appreciation Rights linked to share value and to the performance results of various in-Group companies [2] (ONLY FOR PIONEER SUB-GROUP);
- other instruments representing capital (Phantom Shares) used for the Group Incentive System 2015 of the FinecoBank financial promoters, subject to the verification of malus clauses and clawbacks (inasmuch as legally applicable) according to the stipulations of the regulations governing the plan (only for FinecoBank).

We underline, moreover, that pursuant to the provisions stipulated in the VII update of the Bank of Italy circular 285 of November 19, 2014 (Remuneration and Incentivation Policies and Practices), regarding the liquidation of a portion of the so-called golden parachute ((severance, exit packet and/or exit incentives) in favour of more important resources, Equity Settled Share Based Payments are used, made up of deferred payments in ordinary Unicredit share non subject to vesting conditions.

1.2. Valuation model

1.2.1 Stock options

To estimate the financial value of the Stock Options the Hull and White model was applied.
This model is based on a trinomial tree price distribution, determined according to Boyle's algorithm, and estimates the probability of early exercise on the basis of a deterministic model connected to:
- the achievement of a Market Value equal to a multiple (M) of the price value inherent to the period;
- the assignees' tendency to anticipate exit (E) once the vesting period has expired.

The financial and equity-based effects of the plan will be accounted during the vesting period pertaining to the instruments. In 2016 no new Stock Option plans were assigned.

1.2.2 In-Group Executive Incentive System

The amount of the incentive will be determined on the basis of the achievement of the qualitative and quantitative targets described in the plan.
In particular, the determination of the achievement of the targets is expressed in variable, percent terms from 0% to 150% (non market vesting conditions). This percent, corrected by applying a risk/sustainability factor – Group Gate – at first payment, multiplied by the sum-total of the incentive, will determine the effective amount to be paid to the beneficiary.
The equity and financial effects will be allocated according to the duration of the Plans.

1.2.3 Group Executive Incentive System (Bonus Pool)

The financial value of the shares assigned amounts to the market price of the shared reducted by the current value of the dividends unassigned during the period running between the promise date and the future delivery of the share.
The equity and financial effects will be allocated according to the duration of the Plans.

In-Group Executive Incentive "Bonus Pool 2015" - Shares

The financial value of the shares assigned amounted to the market price per share reduced by the current value of the dividends unassigned during the period between the date of promise and the future allocation of the share.
The plan is structured in clusters, each of which may present from two to three payment instalments in shares, deferred according to the time interval defined by the regulations governing the plan.

	SHARE ASSIGNED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2015			
	INSTALLMENT (2018)	INSTALLMENT (2019)	INSTALLMENT (2020)	INSTALLMENT (2021)
Date of assignment Financial Value Bonus Opportunity	21-Jan-2015	21-Jan-2015	21-Jan-2015	21-Jan-2015
Date of definition number of Shares–Date Board resolution	15-Mar-2016	15-Mar-2016	15-Mar-2016	15-Mar-2016
Start of Vesting period	01-Jan-2015	01-Jan-2015	01-Jan-2015	01-Jan-2015
Maturity of Vesting period	31-Dec-2015	31-Dec-2017	31-Dec-2018	31-Dec-2019
Market price UniCredit share [€]	3.411	3.411	3.411	3.411
Financial value of vesting condions [€]	-0.261	-0.492	-0.814	-1.175
Unit value Performance Share at promise [€] (*)	**3.150**	**2.919**	**2.597**	**2.236**

(*) The same unitary values are used to quantify the charges linked to share-based payments for a golden parachute.

Group Executive Incentive System 2016 (Bonus Pool)

The new 2016 incentivation system is based on a bonus pool approach, aligned with the normative requisites and with market practices. It defines:
- the sustainibility, through direct connection with corporate results and alignment with significant risk categories, through the use of specific indicators reflecting the reference scenario for risk propensity (Risk appetite framework);
- the link between the bonuses and the organisational structure, classifying the pool bonuses to the level of Country/Division with further revision according to Group level;

2. Pioneer Global Asset Management.

- the allocation of bonuses to beneficiaries identified as Executive and to other more important resources, identified according to guidelines supply by the Regolamento dell'Autorità Bancaria Europea (European Bank Authority Regulations) (EBA), and to other specific roles, on the basis of local regulatory requisites;
- a payment structure distributed over a 6-year time-band and made up of a cash/share mix, aligned with the latest normative requirements expressed by directive 2013/36/UE (CRD IV).

The financial and equity effects will be accounted during the maturity period pertaining to the instruments.

1.2.4 Employee Share Ownership Plan (Piano Let's Share per il 2016)
The following table indicate the parameters relevant to the Free Shares (or to the rights to receive them) linked to the "Employee Share Ownership Plan" approved in 2015.

Valuation Free Share ESOP 2016

	FREE SHARE
Date of assignment of Free Shares to in-Group employees	29-July-2016
Start of Vesting period	29-July-2016
Maturity of Vesting Period	29-July-2017
Unitary fair value of Free Shares [€]	**2.058**

All the equity and financial effects of the plan, relating to the Free Shares assigned, will be recognized during the Vesting period (excepting adjustments, according to the provisions stipulated by the plan, which will be registered at the first useful closure subsequent to the Vesting period).
The 2016 Let's Share plan foresees the use of shares to be purchased on the market. To this end Participants confer mandate on a broker to buy the shares to be deposited in an account held by the foregoing participants.

1.2.5 FinecoBank Stock granting reserved to subordinate resources and financial promoters (PFA)
The financial value of the FinecoBank shares assigned amounts to the market price of the share reduced by the current value of the unassigned dividends during the period between the date of promise and the future delivery of the share.

QUANTITATIVE INFORMATION

2. Further information
2016 Share participation plan for UniCredit in-Group employees (2017 Let's Share Plan)
In April 2016 the UniCredit ordinary Shareholder's meeting approved the "2016 Share participation plan for UniCredit in-Group employees" (2017 Let's Share Plan) which offers to in-Group employees, possessing the pertinent requisites, the chance to purchase ordinary UniCredit shares at favourable conditions, in order to strengthen the sense of belonging to the Group and the motivation to achieve company targets.
With reference to the Let's Share Plan for 2017, UniCredit will be able, at its discrediton, to foresee two adherence periods:
1st adherence period: within the end of the first semester of 2017;
2nd adherence period: within the second semester of 2017.

The 2017 Let's Share plan forsees that:
during the "Subscription Period", to be notified to Participants in due time, the latter may purchase ordinary UniCredit shares ("Investment Shares") on a monthly basis, or in one, sole solution ("one-off" mode);
at the start of the Subscription Period, each Participant will receive, in shares ("Free Share") a 25% discount on the total shares purchased; Free Shares may not be sold for one year ('Holding Period or "Restriction Period"). The participant will lose ownership if he/she ceases to be a UniCredit Group employee before the end of the Restriction Period, unless his/her service ceases, due to reasons permitted by Plan Regulations. For fiscal motives, in various countries it is not possible to assign Free Shares at closure of the Subscription Period: therefore an alternative structure has been foreseen acknowledging to Participants of those countries the right to receive Free Shares at closure of the Holding period ('Alternative Structure');
during the "Restriction period" the Participants may sell, at any moment, their 'purchased' Investment Shares, but will lose the corresponding Free Shares (or the right to receive them).

The Free Shares can be qualified as "Equity Settled Share-based Payments" because the Participants will receive Net Equity instruments issued by UniCredit as remuneration for the financial value of their services performed in favour of the employer company. For Free Shares (or the right to receive them) the unitary value will be measured at closure of the Subscription Period on the basis of the average price paid by the Participants to buy the first portion of Investment Shares on the market.

Each and Every financial and equity effect relating to the 2016 Let's Share Plan will be book-registered during the four-year Holding period.
The 2017 Let's Share plan produced no effect whatever on the 2016 Financial Statements.

Effects produced on the financial result
The application of the regulations included all Share-Based Payments assigned after November 7, 2002 with closure of vesting period subsequent to January 1, 2005.

Attachments to the Notes to the Financial Statements

Attachment 1:	Reclassified Equity Statement and Income Statement of the Holding, UniCredit S.p.A. at 31/12/2015	106
Attachment 2:	Reconciliation between Income statement and reclassified Income Statement Items	107
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Attachment 1

UniCredit S.p.A.

Reclassified Statement of Financial Position at 31.12.2015

(Values in Euro millions)

Assets	
Cash in bank and at hand	2,460
Financial assets for trading	13,721
Receivables from banks	22,062
Receivables from customers	215,175
Financial investments	112,362
Hedging	8,714
Tangible assets	2,405
Goodwill	0
Other intangible assets	6
Fiscal assets	12,554
Non-current assets and groups of assets under divestment	238,00
Other assets	4,675
Total assets	**394,372**
Liabilities and net equity	
Payables to banks	37,466
Takings from customers and securities	278,885
Financial liabilities from negotiation	10,672
Hedging	9,669
Funds for risks and charges	2,601
Tax liabilities	152
Other liabilities	8,402
Net equity:	46,525
- capital and reserves	*47,151*
- reserves for valuation assets availale for sale and cash-flow hedging	*815*
- net loss	*-1,441*
Total liabilities and net equity	**394,372**

Reclassified Income Statement - 2015 fiscal period

(Values in Euro millions)

Net interest	4,035
Dividends and other revenue on stock	1,476
Net fees	3,868
Net trading, hedging and fair value income	446
Balance other income/charges	-86
BROKERING MARGIN	**9,739**
Staff costs	-3,273
Other administration costs	-2,817
Cost recoveries	598
Value adjustments to tangibles and intangibles	-128
Operating costs	**-5,620**
OPERATING INCOME	**4,119**
Net adjustments to receivables and reserves for guarantees and commitments	-2,667
NET OPERATING INCOME	**1,452**
Net provisions for risks and charges	-622
Integration charges	-537
Net profits from investments	-2,008
GROSS PROFITS ON CURRENT TRANSACTIONS	**-1,715**
Taxes on fiscal period income	274
Adjustments to goodwill value	0
NET PROFIT	**-1,441**

Attachment 2

Reconciliation between Income Statement and reclassified Income Statement items

	BALANCE-SHEET STATEMENT ITEMS
Net interest	Interest margin
Dividends and other revenue on stock	Item 50
Net fees	Net commission
Trading and hedging income	Item 60
Balance other revenue/charges	Item 160
BROKERING MARGIN	**Amount**
Staff costs	item 110 a) excluding integration charges
Other administration costs	item 110 b)
Value adjustments to tangibles and intangibles	item 120
Operating costs	**amount**
OPERATING INCOME	**amount**
Net adjustments to Receivables	item 100 a)
NET OPERATING INCOME	**amount**
Net provisions for risks and charges	item 150
Integration charges	item 110 a)
GROSS PROFIT	**amount**
Taxes on fiscal period income	item 190
NET PROFIT	**amount**

Attachment 3

Disclosure of the Independent Auditors' fees

Pursuant to the provisions of art. 149 twelfth of the Consob Issuers Regulations, the following table illustrates the information relating to the fees paid to the Auditing Company Deloitte & Touche S.p.A., and to the companies belonging to the same network, for the following services:

1) Auditing services comprising:
   - Auditing of the companies' annual accounts, aimed at expressing a professional opinion;
   - Auditing of the infra-annual accounts.
2) Certification services comprising assignments appointing the auditor to valuate, using suitable guidelines, a specific feature, whose determination is implemented by another person, with pertinent responsibility, in order to express a conclusion supplying the addressee with a degree of reliability regarding the foregoing, specific feature. This category also includes services linked to regulatory accounting supervision.
3) Other services including residual assignments to be itemized according to an adequate breakdown detail Level. By way of non-exhaustive example, the foregoing could include services such as: due-diligence accounting - fiscal - legal – legal administrative, pre-arranged procedures and advisory services addressed to the appointed manager.

The considerations illustrated in the table, pertaining to the 2016 period, are those stipulated in the agreement, comprising potential indexing (excluding out-of-pocket expenses, possible supervisory contributions and VAT).

According to the mentioned provision, acknowledged fees for possible, secondary auditors, or persons belonging to their respective networks are not included.

(€ thousands)

TYPE OF SERVICE	LEGAL PERSON PERFORMING SERVICE	SERVICE RECEIVER	FEES (EUROS)
Auditing:			
- Financial statements	Deloitte & Touche S.p.A.	Unicredit Factoring S.p.A.	66
- Limitated verification procedures re six-monthly accounting situation	Deloitte & Touche S.p.A.	Unicredit Factoring S.p.A.	16
Certification	Deloitte & Touche S.p.A.	Unicredit Factoring S.p.A.	25
Fiscal advice	KPMG S.p.A.	Unicredit Factoring S.p.A.	-
Others			-
Total			**107**

Auditors' Report

Auditors’ Report

Board of Auditors’ Report to the Shareholders’ Meeting pursuant to art. 2429 of the Civil Code

Reports and Accounts At December 31, 2016

Dear Shareholders,
Pursuant to the provisions of art. 2429 of the C.C., we submit to you the monitoring activity implemented in the course of the period ended at December 31, 2016, specifying that the Board of Auditors performed supervisory verifications regarding administration, ex-ex art. 2403, co. 1 C.C., whereas the auditing activities, ex- art. 2409 bis C.C. were assigned to DELOITTE & TOUCHE S.p.a.

During the fiscal period closed at December 31, 2016 we performed the supervisory activities foreseen by the law.

We specify in particular that:
- we monitored compliance with the law and the articles of association as well as conformity with the statutory regulations governing the functioning of the company bodies and the latter’s relations with institutional agencies;
- we participated in the meetings of the Board of Directors and assumed on those occasions information which allow us to bear witness to the proper performance of corporate activities. We can, therefore guarantee that the operations resolved and carried out during the period are in conformity with the law and the articles of association and are not manifestly imprudent, hazardous, in potential conflict of interest or in contrast with the resolutions deliberated by the Shareholders’ meeting, or such that they might compromise the integrity of company equity;
- thanks to the information obtained from the heads of the various corporate functions and from the independent auditors, both in written form and during the verifications undertaken during the year, and also from our analysis of corporate documents, we acquired information and monitored the organizational structure of the company and the internal and administrative-accounting systems adopted, both of which are to be deemed adequate and reliable for the purposes of an efficient government of the operating features and of their accurate representation;
- we reported the non-existence of atypical or unusual operations with in-group companies, third parties or related parties. The Board of Auditors, in its Report on Operations and in the Notes to the Financial Statements and Accounts supplied an exhaustive illustration of the most significant economic, financial and equity-based transactions undertaken with related parties, of the relevant modes of determination and of the total amount of pertinent considerations;
- we had feedback regarding the legal auditing of the accounts during formal meetings with DELOITTE representatives who illustrated the controls performed and their relevant outcomes. The audit discovered no reprehensible facts nor aspects requiring specific in-depth examination;
- the auditors DELOITTE & TOUCHE S.p.a., during 2016, performed on an exclusive basis, the legal auditing of the accounts and issued a statement, pursuant to art. 17 Legislative Decree 39/2010 concerning the non-existence of situations which might compromise its independence or lead to causes for incompatibility;
  Bearing in mind the statement issued by the legal Audit Company, the Board deems that no critical aspects regarding the independence of DELOITTE & TOUCHE S.p.a. exist;
- we have performed the functions of Supervisory Body pursuant to Legislative Decree d.lgs. 231/2001 as from April 13, 2016.

Reports and accounts

With respect to the Reports and Accounts for the year ended 31/12/2015, which indicated a 86,480,150 Euros profit, we mention that, as we were not appointed to audit the accounts, we monitored the general layout given to the Reports and Accounts and their compliance with the law as regards their drafting and structure and thus refer the following:

- we analyzed and verified the application of the accounting standards and underline that these Reports and Accounts were drafted in conformity with the IAS/IFRS accounting standards issued by the IASB, ratified by the European Commission, and with the relative interpretations of the International Financial Reporting Interpretation Committee (IFRIC);
- we supervised the general layout given to the foregoing and their conformity with the law in relation to layout and structure as regards both the Notes to the Reports and Accounts and the Report on Operations;
- we verified compliance with the legal provisions inherent to the preparation of the Report on Operations;
- we verified the correspondence of the Reports and Accounts to the events and information we became aware of during the implementation of our duties;
- we acknowledged the activities carried out by the company appointed to execute the legal audit - DELOITTE & TOUCHE S.p.a. -, aimed at ascertaining the proper drafting of the Reports and Accounts for the fiscal year, according to the stipulations of the law and on the basis of the analyses of the operations implemented during the period. During the performance of the supervisory activities, illustrated here above, no events were found to warrant mention in this report.

Further information

We inform you moreover that:

- No indictments ex art. 2408 C.C. nor third party complaints were received.
  Up to the nomination of the members of the Board as members of the Supervisory body, effective as from the shareholders' meeting of April 13, 2016, we periodically obtained information regarding the activities performed by the Company's Supervisory Body and received information concerning the organizational and procedural activities implemented pursuant to D.Lgs. 231/2001.

After our appointment, we verified that no behaviour profiles emerged which were not in line or in conformity with the principles and provisions indicated in Model 231;

On the basis of the foregoing comments, and having acknowledged that the mentioned auditing company has issued without observations the "Independent Auditors' Report" prescribed pursuant to art. 14 of Legislative Decree 39/2010, on the basis of our expertise we express no objections to the approval of the Reports and Accounts at December 31, 2016 and to the allocation of the operating profit formulated by the Board of Directors.

Milan, March 23, 2017

THE BOARD OF AUDITORS
Vincenzo Nicastro
Federica Bonato
Bianco Roberto

Risk Management

In order to be successful in what we do we must take risks, but we must rigorously manage our risks. We must be fully aware of the impacts of our decisions, we must take risks but we must take the right risks. And to do that, we must apply strong risk management to everything we do.

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTT. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholder of
UNICREDIT FACTORING S.p.A.

Report on the Financial Statements

We have audited the financial statements of UniCredit Factoring S.p.A., which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the related explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree n° 136/15.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of UniCredit Factoring S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree n° 136/15.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of UniCredit Factoring S.p.A., with the financial statements of UniCredit Factoring S.p.A as at December 31, 2016. In our opinion the report on operations is consistent with the financial statements of UniCredit Factoring S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 23, 2017

This report has been translated into the English language solely for convenience of international readers.

Execution & Discipline

We know that to do well we must be extremely disciplined in the execution of everything we do. In addition to our strategic plan, we have performance measures in place which provide all our teams with clear targets and regularly follow-up on progress to ensure we are always on track.

Resolutions of the Ordinary Shareholders Meeting

Resolutions of the Ordinary Shareholders Meeting

The Meeting, pursuant to the favourable vote expressed by the sole shareholder, UniCredit S.p.A, thus resolved:

- to approve the balance-sheet at 31.12.2016 within the terms envisaged;
- to approve the allocation of the 2016 profits, amounting to 86,480,150 Euros, according to the following terms:

Euros	4,324,008	to the legal reserve
Euros	21,609,942	to other reserves
Euros	58,546,200	to the shareholders
Euros	1,000,000	to UniCredit & Foscolo Universities, as corporate donation
Euros	1,000,000	to UniCredit Foundation, as corporate donation.

- to nominate Signor Roberto FIORINI as member of the Board of Directors of UniCredit Factoring with mandate due to expire jointly with those of the other Directors in office and, therefore, up to the Shareholders' meeting for the approval of the Reports and Accounts at December 31, 2018.

Our Products

Our Products

Assignment of Receivable: With Recourse

This product is addressed to Companies wishing to outsource their trade receivables entrusting them to an expert operator and potentially to finance their working capital, in particular when their companies are expanding and turnover is increasing.
Through its With Recourse operations UniCredit Factoring acquires the trade receivables claimed by the Assignor from its debtors, manages them as regards administration and takes care of collection. At the assignor's request, UniCredit Factoring may advance the consideration for the assigned receivables, usually to the maximum extent of 80% of the relevant total.
In With Recourse Assignment of Receivable transaction the risk of debtors's insolvency remains with the Assignor.

Assignment of Receivable: Non Recourse

This product is addressed to companies wishing outsource the management of their trade receivables and to secure themselves against the insolvency risk pertaining to their debtors, prospectively enhancing that service with our offer of funding for working capital, in particular when the company is expanding and turnover is increasing.
Through its Non Recourse operations UniCredit Factoring acquires the trade receivables claimed by the Assignor from its debtors, manages them as regards administration and takes care of collection. It also assumes the risk of debtors' insolvency, subject to the terms and conditions and within the limits contractually foreseen. At the assignor's request, UniCredit Factoring may advance the consideration for the assigned receivables, usually to the maximum extent of 80% of the relevant total.
In this type of transaction, therefore, the risk of debtors' insolvency is transferred to UniCredit Factoring.

Assignment of Receivable: Maturity

This product is addressed to medium/large industrial and/or commercial companies wishing to regularise financial flows and to optimise their treasuries.
Through Maturity Assignment of Receivable transactions, UniCredit Factoring acquires the trade receivables claimed by the assignor company from its debtors, manages them as regards administration, takes care of collection and credits to the assignor the relevant considerations, at pre-established dates, usually linked to the due dates of the assigned receivables. At the assignor's request, UniCredit Factoring may advance the consideration for the assigned receivables, usually to the maximum extent of 80% of the relevant total.
Upon request UniCredit Factoring may also grant to the debtor a deferral of the payment terms regarding the assigned receivables without charging the pertinent cost to the assignor.
In this type of transaction the risk of debtors' insolvency may remain with the assignor (With-Recourse transaction) or be assumed by UniCredit Factoring (Non-Recourse transaction).

Reverse Factoring

Reverse Factoring is a solution addressed to very large companies ("Debtor") with ample and split supplier portfolios wishing to streamline and rationalize the liability cycle.
Reverse Factoring permits:
- the "Debtor's" suppliers to access dedicated credit-line and priviledged conditions and also to benefit from the creditworthiness of the mentioned "Debtor";
- the "Debitor" to benefit from greater customer loyalty towards its productive chain with consequent improvement of the quality and punctuality of supplies from its commercial counterparts. Furthermore the "Debtor" can count on the uniformity and semplification of the administrative procedures linked to the payment of the receivables versus suppliers, because UniCredit Factoring acts as sole interlocutor throughout the relevant management phases.

Upon request UniCredit Factoring may also grant to the debtor a deferral of the payment terms regarding the assigned receivables without charging the pertinent cost to the assignor.

Assignment of Receivables claimed from State Organisations

Transactions contemplating the Assignment of Receivables versus State Organisations are addressed to companies claiming receivables from debtors belonging to the State Administration Sector and desiring to out-source the management of such receivables, thus reducing collection times and transforming into variable costs the fixed costs pertaining to the management of the receivables.
UniCredit Factoring acquires the trade receivables claimed by the assignor company, manages them as regards administration an dtakes care of collection.
At the Assignor's request UniCredit Factoring may also advance the consideration for the assigned receivables, usually up to the maximum extent of 80% of the relevant total.
In this type of transaction the risk of debtors' insolvency may remain with the assignor (With-Recourse transaction) or be assumed by UniCredit Factoring (Non-Recourse transaction).

Assignment of Receivable: Import - Export

Import-export Assignment of Receivable transactions are addressed to companies desiring to obtain support in the management of their receivables claimed from cross-border counterparts.
In Export Factoring transactions UniCredit acquires the trade receivables claimed by the Italian Assignor from some of its cross-border debtors, manages them as regards administration and takes care of collection.

In Import Factoring Transactions, on the other hand, UniCredit Factoring acquires the trade receivables claimed by the Cross Border assignor from some of its Italian debtors, manages them as regards administration and takes care of collection. Upon request UniCredit may also grant to the assigned debtor a deferral regarding the original payment terms.
In both types of transaction UniCredit Factoring places at its customers' disposal the company's expertise concerning the valuation of the cross-border counterparts. With respect both to import and export, the risk of debtors' insolvency may remain with the assignor (With-Recourse transaction) or be assumed da UniCredit Factoring (Non-Recourse transaction). At the Assignor's request UniCredit Factoring may also advance the consideration for the assigned receivables, usually up to the maximum extent of 80% of the relevant total.
The geographic coverage of the transactions is global because the activity is also performed with the collaboration of the Factoring Companies belonging to UniCredit Group or of correspondents belonging to the network Factors Chain International (FCI).

Outright purchase of receivables

Transactions contemplating the Outright Purchase of Receivables are addressed to medium/large companies, listed on the Stock Exchange or belonging to multi-national groups, whose financial statements are subject to IAS or US FAS accounting standards, desiring to optimize the management of their treasuries and improve their balance-sheet indicators, through the outright assignment to UniCredit Factoring of the foregoing receivables, with resulting possibility of diverting from their balance-sheet of the financial assets assigned (derecognition).
In this type of transaction the risk of debtors' insolvency is transferred to UniCredit Factoring.
Prospectively, the agreement offers the possibility of granting to the assigned debtor an onerous deferral regarding the payment terms agreed during commercial negotiations with the supplier.

Payment at Maturity

Payment at Maturity is a product studied for companies desiring to regularize their financial flows and optimise the management of their treasuries, at the same time being able to count on certain incoming flows at the original maturities of the receivables, thus avoiding the risk of debtor's insolvency.
With payment at maturity transactions UniCredit Factoring acquires the trade receivables claimed by the assignor from some of its debtors and grants to the creditor the possibility of obtaining solver payments at their original maturities.
The specificity of the product consists in the transfer of the insolvency risk to Unicredit Factoring thanks to the solver payment, implemented by the latter at the original maturity of the receivable. The risk of debtors' insolvency, in the period preceding the releasing payment, may be assumed by the assignor (With-Recourse) or by UniCredit Factoring (Non-Recourse).
The product is particularly adapted to companies subject to mandatory payment terms such as, for example, companies operating in the agricultural/foodstuffs sector and subject to the provisions stipulated in art. 62 of D.L. 1/2012 (law 27/2012).

Assignment of VAT Receivables

The Assignment of VAT receivables is addressed to high-standing companies desiring to out-source the management of the VAT receivables claimed as refund and to obtain advance payment of the foregoing receivables whose payment time-lines may be medium/long.
UniCredit Factoring acquires this type of tax receivables from the assignor as regards the Tax Bureau, manages them with respect to administration and takes care of collection. At the assignor's request UniCredit Factoring, usually after receiving the acknowledgement of receipt of notification and to the maximum extent of 80% of the relevant amount, may, moreover, advance the consideration for the assigned receivables or proceed with their purchase.
In this type of transaction the risk of debtors' insolvency may remain with the assignor (With-Recourse transaction) or be assumed by UniCredit Factoring (Non-Recourse transaction).

Assignments of Tax Receivables from Direct Taxes

The Assignment of Tax Receivables from Direct Taxes is addressed to high-standing companies desiring to out-source the management of tax receivables from direct taxes, such as Ires and Robin Tax, requested as refund, and to obtain advance payment of the foregoing receivables whose payment time-lines may be medium/long.
UniCredit Factoring acquires this type of tax receivables claimed by the assignor from the Tax Authority, manages them as regards administration and takes care of collection. At the assignor's request UniCredit Factoring, usually after receiving the acknowledgement of receipt of notification and to the maximum extent of 80% of the relevant amount, may, moreover, advance the consideration for the assigned receivables and proceed with their purchase.
In this type of transaction the risk of debtors' insolvency may remain with the assignor (With-Recourse transaction) or be assumed by UniCredit Factoring (Non-Recourse transaction).

Assignment of Receivables from Incentives regulated by D.M. of July 6, 2012

This product is addressed to high-standing companies desiring to out-source the management of tax receivables from incentives regulated by the DM of July 6, 2102, allocated by the Energy Services (GSE= Gestore dei Servizi Energetici) against the electric power produced by non-photovoltaic, renewable energy sourced plants and to obtain advance payment of the relevant considerations.
UniCredit Factoring acquires this type of receivables claimed by the assignor from GSE, manages them as regards administration and takes cares of collection. At the assignor's request UniCredit Factoring, usually after receiving the acknowledgement of receipt of notification and to the maximum extent of 80% of the relevant amount, may, moreover, advance the consideration for the assigned receivables or proceed with their purchase.
In this type of transaction the risk of debtors' insolvency may remain with the assignor (With-Recourse transaction) or be assumed by UniCredit Factoring (Non-Recourse transaction).

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July 2017

Life is full of ups and downs.
We're there for both.

Welcome to
UniCredit
Factoring

www.unicreditfactoring.it