One Bank
One
UniCredit

2017

# Reports and Financial Statements

Solutions that matter. UniCredit Factoring

# One Bank, One UniCredit.

We are a simple, successful Pan European Commercial Bank, with a fully plugged-in CIB, delivering a unique Western, Central and Eastern European network to our extensive franchise of 25 million clients.
Our strategy is long-term. We are transforming the Group through decisive actions to lay the groundwork for the future, changing the way we work to anticipate our clients' medium-term evolution. Everything we do is designed to make UniCredit a true Pan European Winner.

# Corporate Officers and General Management

## Board of Directors

| | |
|---|---|
| Maurizio Guerzoni [1] | Chairman |
| Giuseppe Cristiani [2] | Vice-Chairman |
| Roberto Fiorini | Chief Executive Officer |
| Pasquale Antonio De Martino<br>Daniela Ferrari [3]<br>Lucio Izzi<br>Renzo Ivo Signorini | Directors |
| Romano Andrea Ernesto | Company Secretary |

## Board of Statutory Auditors

| | |
|---|---|
| Vincenzo Nicastro | Chairman |
| Roberto Bianco<br>Federica Bonato | Standing Auditors |
| Paolo Colombo<br>Massimo Gatto | Alternate Auditors |

## Head Office

| | |
|---|---|
| Roberto Fiorini | Chief Executive Officer |
| Pietro Zardoni | Vice-General Manager<br>Head of Commercial Department |
| Elvio Campagnola | Vice-General Manager<br>Head of Marketing Department |
| Marco Lotteri | Vice-General Manager<br>Head of Credit and Risk Department |
| Silvio Felice Asti | Head of Planning Department,<br>Finance and Administration |
| Antonio Moretti | Head of Organization and Logistics<br>Department |
| Valentina Stranieri | Head of Human Resources Department |
| Andrea Ernesto Romano | Head of Legal Department |
| Giancarlo Zaccaro | Head of Debtor Management Department |

(1) Formerly Vice-Chairman of the Company. Appointed Chairman of the Board of Directors on 6 December 2017 following the resignation of Mr. Alessandro Cataldo from the offices of Chairman and Director of the Company.

(2) Formerly Director of the Company. Appointed Vice-Chairman of the Board of Directors on 6 December 2017 following the resignation of Mr. Alessandro Cataldo

(3) Co-opted on 6 December 2017 following the resignation of Mr. Alessandro Cataldo.

UNICREDIT FACTORING S.p.A.
A single-member company belonging to the UniCredit Banking Group
listed in the Register of Banking Groups code. 2008.1
Share Capital €414,348,000 fully paid in
Legal reserve: €32,060,472
Registered offices in Milan, 5 via Livio Cambi
Tel. +39 02 366 71181 - Fax +39 02 366 71143
R.E.A. nr. 840973
Listed on the Milan Company Register
Tax Code and VAT nr. 01462680156
Enrolled in the Register of Financial Brokers pursuant to art. 106 TUB under nr. 42
e-mail: info.ucfactoring.it@unicreditgroup.eu
www.unicreditfactoring.it
Certified Electronic Mail (PEC): comunicazioni.ucf@pec.unicredit.eu


In this era of unprecedented change customers are looking for companies they can trust and that can play a tangible positive role in their everyday lives. UniCredit has a simple and successful Pan European Commercial banking model delivering relevant solutions to the real needs and wants of today's customers.

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# Strengthen and optimise capital.

Following a € 13 billion capital increase, we confirmed a 2019 fully loaded CET1 ratio target above 12.5 percent and an organic capital generation that will fully absorb the expected regulatory impacts: our capital position is stronger and in line with best in class G-SIFIs.

# Agenda of the Ordinary Shareholder's Meeting

UNICREDIT FACTORING S.p.A.
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Enrolment number in the Milan Company Register,
Tax Code and VAT Number 01462680156, R.E.A. nr. 840973

Our shareholders are convened to the Ordinary Shareholders' Meeting **to be held on 11 April 2018**, at 14:00, at the Company's registered offices in Milan, 5 Via Livio Cambi, at first call and, if necessary, at second call on 12 April 2018 at the same time, same place, to deliberate the following

**AGENDA**

1. Approval of the Financial Statements for the period ended at 31.12.2017. Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing Firm. Relevant resolutions.
2. Nomination of a Director to join the Board of Directors.
3. The assignment of the statutory audit of the UniCredit Factoring accounts for financial years 2017 - 2021 to the Auditing Firm Deloitte & Touche S.p.A.

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

Milan, 23 March 2018

The Chairman
Maurizio Guerzoni

# Improve asset quality.

We addressed Italian legacy issues through the sale of a € 17 billion portfolio (FINO) and proactive bad loans management. A more disciplined risk management strategy and underwriting processes are driving significant improvements in all our asset quality metrics.

# Report on Operations


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**Notes:**
Any discrepancies between the data reported in the Report on Operations are solely due to the effect of rounding.

# Report on Operations

## Overview of results

In Italy, after a slow start, economic growth gained strength due to the support of both foreign and domestic demand, with exports showing significant acceleration, also benefiting from the up-turn in world trade. Bank loans to the private sector confirmed the moderate recovery with household loan growth rates that reached almost 3% in the latter part of the year, while business loans showed substantial stability over the previous year once corrected to take account of securitized loans, with a decline in the short-term sector. The factoring sector was more dynamic than traditional lending activities, registering a growth in turnover of 9.4% and an increase in lending up by 1.5% over the previous year.

Against this background, the Company – while facing competition in the short-term lending sector accentuated by abundant liquidity in the system – recorded better growth rates than average sector figures, thus confirming our second place in the relevant ranking. Turnover flow stood at 39.5 billion (+12.7%), corresponding to a market share of 17.8%, whereas for the first time end-of-year receivables exceeded 10 billion, with a growth of 11.8%, following that of 10.3% registered at the end of 2016, and a market share which reached 20.7%. The development of our business activities was achieved by preserving and, indeed, improving the already high credit quality.

The operational structure has stabilized at an average workforce of around 300 units (in terms of Full Time Equivalent). The substantial stability of the workforce hides a turnover of around 10%, with staff exits mainly linked to the implementation of the agreements signed in the strategic plan and staff entrances selected from other Group companies.

The significant upturn in operations did not translate into revenue growth due to the more than proportional contraction in spreads and commission rates, mainly attributable to market factors, but also to effects deriving from changes in the customer base.

Indeed, operating income, equal to 172 million, registered a 13.8% decrease over the previous year, around a third of which can be explained by lower insurance refunds. Positive signals, on the other hand, come from the progress in operating costs, which registered a reduction of almost 5% over the previous year, and from net write-downs on receivables, which remained moderate (around 0.20% of average disbursements). Net profit/(loss) for the year, however, was affected by significant provisions for revocation risks and by unfavourable developments in pending legal actions, by a total of 24 million, which further aggravated the contraction with respect to the previous year, from 86.5 million in 2016 to 61 million for the year just ended.

The main income indicators were affected by the changes in the income statement highlighted above. Cost/income slightly increased from 24.1% to 26.6%, while ROE fell from 13% to 8.9%. Asset risk indicators showed a reduction in the share of non-performing receivables out of the total (from 0.50% to 0.41% for bad loans and from 3.06% to 1.99% for the total non-performing receivables at book value), whereas hedging was particularly strong for bad loans (almost 84%, also taking into account partial write-offs) and an increase of 4 points for unlikely to pay (from 37.7% to 41.6%).

Shareholders' equity stood at 747 million, corresponding, after deducting 70% of the profits to be distributed as dividends, to a Common Equity Tier 1 capital of 705 million - a 2.7% growth compared to the end of 2016. Taking into account that total weighted total assets registered an increase of 10.3%, compared to 12.1% unweighted, the CET 1 fell from 10% to 9.31%.

Finally with respect to the outlook for the current year, in a scenario that should confirm a solid growth rate, we expect additional improvement in operating volumes, through intensified collaboration with the Parent Company's network and a launch of new projects under the Transform 2019 plan.

# Company highlights

## Operating data

(€ million)

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 2017 | 2016 | ABSOLUTE | % |
| Turnover | 39,505 | 35,055 | +4,450 | +12.7% |
| Outstanding | 12,639 | 11,682 | +957 | +8.2% |

## Income statement

(€ million)

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 2017 | 2016 | ABSOLUTE | % |
| Operating income | 172 | 200 | -28 | -13.8% |
| *of which: - net interest* | *114* | *125* | *-11* | *-8.4%* |
| *- net fees and commissions* | *56* | *62* | *-7* | *-11.1%* |
| Operating costs | -46 | -48 | +2 | -4.6% |
| Operating profit (loss) | 127 | 152 | -25 | -16.7% |
| Net operating profit (loss) | 112 | 136 | -24 | -17.9% |
| **Net profit** | **61** | **86** | **-25** | **-29.5%** |

## Statement of financial position

(€ million)

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | ABSOLUTE | % |
| Total assets | 10,497 | 9,367 | +1,130 | +12.1% |
| Receivables | 10,395 | 9,296 | +1,099 | +11.8% |
| **Shareholders' equity** | **747** | **747** | **+1** | **+0.1%** |

## Staff and Branches

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | ABSOLUTE | % |
| Number of employees (Full Time Equivalent) | 297 | 296 | +1 | +0.3% |
| Number of trading points | 13 | 13 | - | - |

## Profitability ratios

| | FIGURES AT | | |
|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | CHANGE |
| ROE [1] | 8.9% | 13.1% | -4.2 |
| Cost/Income | 26.6% | 24.1% | +2.6 |

## Risk ratios

| | FIGURES AT | | |
|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | CHANGE |
| Net bad loans / Receivables | 0.41% | 0.50% | -0.09 |
| Net non-performing receivables / Receivables | 1.99% | 3.06% | -1.07 |

## Productivity ratios

(€ million)

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 2017 | 2016 | ABSOLUTE | % |
| Turnover per employee | 132.5 | 117.1 | 15.4 | +13.2% |
| Operating income per employee | 0.58 | 0.67 | -0.09 | -13.4% |

## Capital ratio

(€ million)

| | FIGURES AT | | | |
|---|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | | CHANGE |
| Tier 1 capital | 705 | 686 | +18 | 2.7% |
| Total risk-weighted assets | 7,567 | 6,861 | +706 | 10.3% |
| CET 1 | 9.31% | 10.00% | -0.69% | |

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

# Report on Operations (Continued)

## External scenario

### The macro-economic scenario

Over the course of 2017, global recovery picked up further momentum, expanding in the second half to an annualized pace of about 3.5%. For the first time since the beginning of the recovery, the upturn is highly synchronized across the advanced and emerging economies. This lift in global growth, supported by monetary stimulus, is being accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. Economic activity remains strong in both Japan and the US, and labour markets continue to show low rates of unemployment, whereas in the UK the economic climate is deteriorating as a result of Brexit-related uncertainty.

The US is currently enjoying one of the longest recoveries on record. As the drag of past exchange rate appreciation and oil price movements abated, economic growth picked up pace in mid-2017. Private consumption remains robust, supported by wealth gains from buoyant asset prices and stronger income growth. In the business sector, confidence remains strong and business investment is rebounding. Given the buoyant macroeconomic performance, the Fed raised its policy rates for the third time in the year.

In the euro area, the recovery continues and is now broadening among sectors and countries. The latest economic indicators, particularly business surveys, remain elevated, confirming the expectation of robust growth in the second half of 2017. Real term GDP growth was above 2% in the last two quarters of the year. Private consumption is continuing to increase and remains a key driver of the ongoing economic expansion, together with a solid expansion in exports and, in turn, in investment. Employment is also on the up-turn, as a result of an overall improving macroeconomic environment.

Inflationary pressure remains moderate in the eurozone, at around 1.5% year on year. Core inflation seems to be on track for a slight increase to 1.0%.
Energy prices are putting upward pressure on headline inflation, while food prices are pulling in the opposite direction. At its October meeting, the European Central Bank re calibrated its asset purchase program (APP), which was reduced to €30 billion from €60 billion per month, starting in January 2018 until September 2018, or later if necessary. The Governing Council reiterated its readiness to increase the APP in terms of the size of purchases and/or the duration of the program if the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation.

The Governing Council also confirmed that the Eurosystem would reinvest the principal payments from maturing securities purchased under the APP for an extended period of time after the end of its net asset purchases.

In Italy, after a slow start, economic growth strengthened to reach an annualised rate of 1.6%, due to the support of both foreign and domestic demand, with exports showing a significant acceleration, also benefiting from the upturn in world trade.

### The banking market

During the course of 2017, the improvement in the dynamic of bank loans in the eurozone continued, with the credit recovery having progressively benefited from the strengthening of economic growth. In 2017, credit recovery became increasingly widespread in the eurozone, where loans to both business and households approached an annual growth of close to 3.0%. The annual pace of growth in bank credit returned to the level observed in 2009, both for business and household loans, decisively shaking off the persistent weakness that endured following both the global financial crisis and the sovereign debt crisis. In contrast, in Italy, in 2017 the dichotomy continued to prevail between the dynamic of loans to households, which saw an increasing annual growth rate, in line with that in the eurozone, and loans to business, which just showed a stabilization before returning to slightly negative growth towards the end of the year.

With regard to the dynamics of bank funding, deposits continued to expand at a good pace until the end of 2017. Deposit development continues to be mainly driven by sustained growth in demand deposits, while medium to longer-term funding continued to contract. The extensive recourse to demand deposits remains fully explained by the ECB's accommodative monetary policy and hence the ongoing low yields on bank liabilities.

In addition, the current accommodative monetary policy further fuelled a downward trend in bank interest rates towards the end of 2017. Interest rates on both bank loans and deposits declined, with both repeatedly hitting new historical lows. As a consequence, bank spreads (the difference between the average rate on loans and the average rate on deposits) remained largely stable throughout 2017.

Financial markets in the euro area experienced reduced volatility and uncertainty over the latter part of 2017. This was accompanied by a marked improvement in stock market performance, which was satisfactory in 2017.

## The factoring market

In an improving macroeconomic scenario, the factoring market has proved to be more dynamic than the banking sector. On the basis of the data supplied by the category association Assifact (from a 30 member sample), turnover registered an upturn of 9.4% compared to 2016, while the outstanding and funded grew, respectively, by 33% and 1.4%, despite the higher debt payments by State Organisations, which also continued in 2017.

The market remained highly competitive and concentrated. On the basis of the data up to November, the first four competitors hold a market share of 66.5% of the turnover, a slight downturn compared to the 66.1% of the previous year. Companies from the banking sphere, however, reported a lower increase in turnover (+9.8%) with respect to captive companies (+16.1%) decreasing their market share to 82.8% against the 83.5% at the end of November 2016.

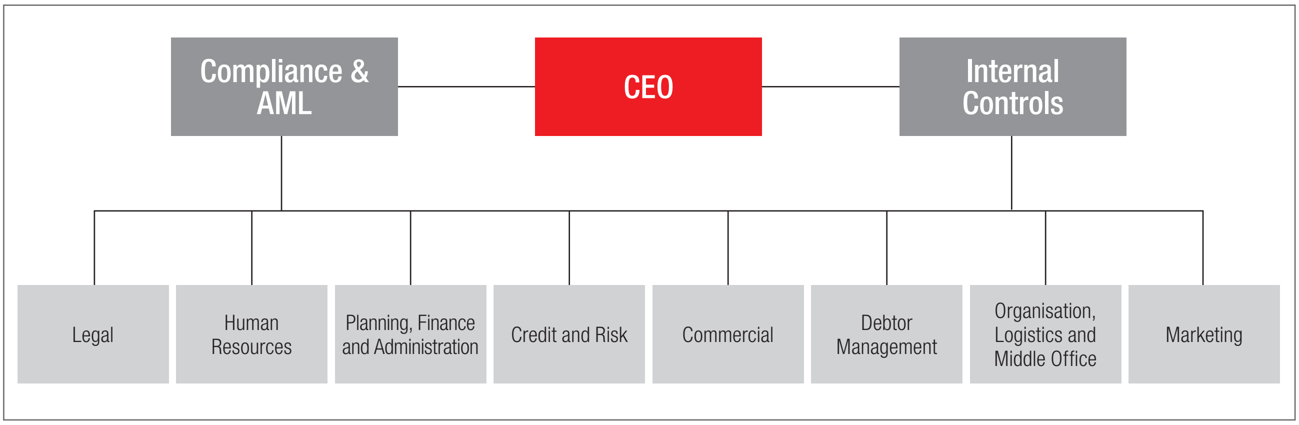
## Company activities

UniCredit Factoring is the Italian UniCredit Group company specializing in non-recourse and with-recourse purchase of trade receivables assigned by its customers who, besides optimizing their equity structure, can take advantage of a series of related services such as collection, management and insurance of such receivables.

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

## Organisational structure

The Company's organisational structure remains unchanged, at first report level, with respect to the end of last year as illustrated below.




Changes which occurred in 2017 concerned:

- The Internal Controls function's responsibilities have been extended to include ICT security management and the consequent identification, within the function, of the ICT Security Contact for the LE, as well as of the role of Retained Organisation (RTO) for security activities outsourced to UniCredit S.p.A.;
- The Compliance function has been renamed Compliance & AML, to take into account its Anti-Money Laundering responsibilities and has been reclassified from a unit to a technical structure;
- The responsibilities related to customer relations management have been updated and classified as being in "restructuring" status.

The remaining company management departments have not modified their internal structures.

# Report on Operations (Continued)

## Resources

At 31 December 2017, UniCredit Factoring's human resources numbered 297 Full Time Equivalent (FTE), with a 1 unit FTE reduction compared to the previous year.

Starting in 2017, the Company was affected by the first impact of staff exits linked to agreements signed for the implementation of the Strategic Plan which, together with the changes of various roles in other Group companies and staff exits to the external market, registered a fairly high turnover (11% personnel out, 10% personnel in).

In the light of the high number of staff exits reported above (33 employees), a commitment to find suitably professional replacement personnel, led to the 29 people coming in from other Group companies (mainly from the Corporate world).

### Composition by age group, classification and gender

In the distribution by age group, there is an increase in older employees (over 50), however the average age remains as recorded last year: at around 46.

**Breakdown by age**

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | FTE | COMP. % | FTE | COMP. % | ABSOLUTE | % |
| Up to 30 years | 3 | 1.0% | 3 | 1.0% | +0 | +0.0% |
| From 31 to 40 years | 75 | 25.3% | 78 | 26.4% | -3 | -3.8% |
| From 41 to 50 years | 117 | 39.4% | 122 | 41.2% | -5 | -4.1% |
| Over 50 years | 102 | 34.3% | 93 | 31.4% | +9 | +9.7% |
| **Total** | **297** | **100.0%** | **296** | **100.0%** | **+1** | **+0.3%** |

The contractual classification of the Company's human resources showed an increase chiefly in the percentage of 1st and 2nd level middle managers and a decrease in senior managers and professional areas. The increase - even though minimal - in the number of middle managers was mainly due to new appointments of high-profile professional figures from within the Group.

**Breakdown by category**

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | FTE | COMP. % | FTE | COMP. % | ABSOLUTE | % |
| Senior Management | 14 | 4.7% | 15 | 5.1% | -1 | -6.7% |
| Middle Management - 4th and 3rd grade | 97 | 32.7% | 96 | 32.4% | +1 | +1.0% |
| Middle Management - 2nd and 1st grade | 86 | 29.0% | 81 | 27.4% | +5 | +6.2% |
| Professional areas | 100 | 33.7% | 104 | 35.1% | -4 | -3.8% |
| **Total** | **297** | **100.0%** | **296** | **100.0%** | **+1** | **+0.3%** |

Finally, the table below shows the human resources breakdown between women and men: it shows the only increase, although marginal, is in numbers of female personnel in the workforce, in line with the Group's commitment to promote gender diversity.

**Breakdown men/women**

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | FTE | COMP. % | FTE | COMP. % | ABSOLUTE | % |
| Women | 101 | 34.0% | 100 | 33.8% | +1 | +1.0% |
| Men | 196 | 66.0% | 196 | 66.2% | +0 | +0.0% |
| **Total** | **297** | **100.0%** | **296** | **100.0%** | **+1** | **+0.3%** |

### Management performance

To make our commitment to rewarding performance clear we are improving differentiation based on merit by strengthening our approach to the performance assessment taking into account, not only achieved targets, but also the procedures used and by contextually defining personalized career and development plans.

This approach is also geared towards giving managers ever increasing control in to decisions concerning their collaborators.

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

### Development of human resources
It a fundamental part of the HR mission to continuously focus on employee and skills development by developing plans aimed at increasing experience, skills and visibility for Company personnel.

To this end, in addition to compulsory training, five new courses have been added (Banking Compound Interest, Antitrust and Unfair Commercial Practices, Conflicts of Interest, Risk Management of Usury, Anti-Money Laundering and Countering Terrorism Financing) and the new Group tool MyCampus has allowed an innovative approach to training.

MyCampus offers a series of online courses divided by:
- theme (e.g. Languages, Health and Safety, Banking Financials, Strategy, Wellness and Welfare, etc);
- path (Corporate Center or Network);
- employment stages (assignment of a new role, in-role growth, appointment to managerial roles, return to work after a long period of absence).

In addition to the courses offered by the tool, we have placed particular importance on participation in specific courses on Factoring to allow the increasingly consistent and professional growth of our personnel.

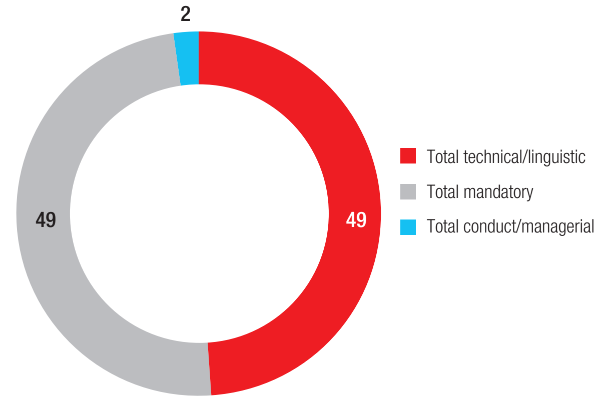
The constant and careful support of colleagues recently joining the Factoring field, through the provision of additional sessions of the UniCredit Factoring Training Path, which, it is recalled, is structured in four phases: online, lecture notes study, classroom activities and on-the-job training.

During 2017, 17 colleagues completed the path that began at the end of 2016, with a further 17 colleagues on that which began in December 2017, a total, as of 31.12.2017, of 34 employees.

Finally, a development training day was organized for our managers where colleagues from Global Transaction Banking of the Parent Company explained the peculiarities of the Working Capital Solutions products in connection with the provisions of Transform 2019.

Below is the percentage distribution of training hours by type, divided by:
- technical/linguistic;
- conduct/managerial;
- mandatory.

**Training 2017** (%)




### Diversity and inclusion
In line with Group commitment to promoting diversity, considered to be fundamental at all levels in generating value beneficial to all our employees, customers, communities and shareholders, our company has endeavoured to encourage gender balancing, to overcome generation gaps and to support people with disabilities.

Working with Managers to identifying female colleagues with potential to be professionally fast-tracked continues to remain a high priority.

### Supporting a good work-life balance
A work environment which facilitates the right balance between private and professional lives produces a positive impact on the welfare, motivation and productivity of our employees.

For this reason, our Company has encouraged the adoption of effective and flexible solutions for improving the balance between the private and professional lives of our staff, also through Group initiatives, seeking to meet requests for flextime, new part-time hours and full-time re-entries.

In addition, one of the two teleworking contracts that had expired was also re-confirmed in 2017, 2 seats were transferred and there were some requests for transfers to the Bank Network which were accepted to meet the personal needs of employees.

## Marketing activities
In 2017, the relationship and collaboration with the UniCredit Group was consolidated, thanks to a range of factoring products and services that complement and complete the Bank's offering to corporate and investment banking customers.

# Report on Operations (Continued)

Training activity started in 2016 was enhanced, with the creation of a training course focused on Working Capital solutions, with the aim of giving integrated solutions to support the working capital of companies.

During the course of 2017, a historical analysis project of the customer portfolio was carried out with the aim of distinguishing the elements which encourage loyalty from the conditions that might create greater disaffection. The features that emerged from the analysis enabled us take action aimed at developing and consolidating customers.

In particular, other important Reverse Factoring agreements were signed with high standing customers which have facilitated credit access for businesses that are part of the production chains of medium and large companies located throughout the country.

In the State Organisations sphere, UniCredit Factoring continued its activity aimed at sustaining private companies that work with the public sector, with particular reference to those businesses operating in the health sector. Taking into account the sensitivity and importance of this area, UniCredit Factoring aims to expand its presence in the public sector through the conclusion of new counter-party agreements to improve and facilitate credit access to companies in the sector. The product catalogue has been enhanced with the assignments of receivables from contributions linked to energy efficiency securities (white certificates). The new product provides for the assignment, under non-recourse or with-recourse regimes (and on a permanent basis) and the eventual advance of consideration, of the receivables claimed by the transferor companies from the Gestore dei Servizi Elettrici (GSE) [Electricity Services Operator]. The introduction of this new product has allowed some important transactions to be completed with leading companies in the sector.

In 2017 the new corporate website was launched, featuring completely new graphics and a new design, in line with Group guidelines. The new site interface has an increased focus on content: the layout uses page space in its entirety and navigation has been made easier by using recognizable and iconic language, in line with that featured on all the Bank's digital contact points. The new site can be used seamlessly on both desktop and on the move (on tablets and smart phones).

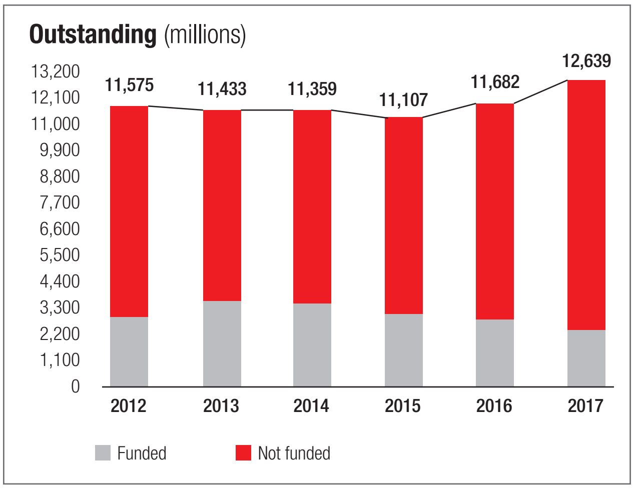
The site offers ample space devoted to the product range in addition to general information on UniCredit Factoring, providing customers with simple and, at the same time, complete and comprehensive information. The product pages have links which click through to new product sheets, revised both in terms of graphics and content, enabling increasingly transparent and effective customer communication.

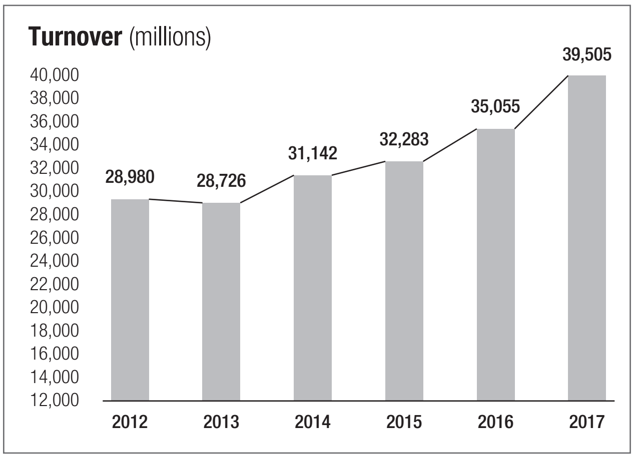
The standard Customer Satisfaction survey in November 2017 resulted in an increase of 11 points over the previous survey, confirming that customers perceive a level of absolute excellence in terms of quality.
It allows customers to have solutions for all their financing and credit management needs close to hand.

## Turnover and total receivables

The Company acquired a turnover of 39,505 million during the year, with an increase of 12.7% over 2016, higher than that of the market as a whole.
This progress led to an increase in market share, which stood at 17.8% over 17.3% in 2016, and a consolidation of second place in the sector ranking.

Turnover growth was reflected in the outstanding, which reached 12,639 million, with an increase of 8.2% over the end of 2016 and a market share of 20.3% over 19.1% at the end of the previous year.



As highlighted by the following table, with-recourse transactions represented around 50% of the turnover and total receivables. Although increasing in absolute terms, in the context of turnover the share remained stable compared to the previous year, while outstanding showed an absolute increase of 4.7% but a reduction of about 2 percentage points in terms of share, due also to the collection of lump-sum assigned receivables and only marginally to advances to the assignor.

(€ million)

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | AMOUNT | COMP. % | AMOUNT | COMP. % | ABSOLUTE | % |
| **Turnover** | **39,505** | **100.0%** | **35,055** | **100.0%** | **+4,450** | **+12.7%** |
| *of which without recourse* | *20,226* | *51.2%* | *18,102* | *51.6%* | *+2,125* | *+11.7%* |
| *of which with recourse* | *19,278* | *48.8%* | *16,953* | *48.4%* | *+2,326* | *+13.7%* |
| **Outstanding** | **12,639** | **100.0%** | **11,682** | **100.0%** | **+957** | **+8.2%** |
| *of which without recourse* | *5,776* | *45.7%* | *5,127* | *43.9%* | *+649* | *+12.7%* |
| *of which with recourse* | *6,863* | *54.3%* | *6,555* | *56.1%* | *+308* | *+4.7%* |

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 Organisations, which registered a 26.0% increase over the previous year. On the other hand, guarantee-only transactions marginally decreased (-5.8%), while maturity factoring transactions also recorded significant growth (+15.5%).

(€ million)

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | AMOUNT | COMP. % | AMOUNT | COMP. % | ABSOLUTE | % |
| **Turnover** | **39,505** | **100.0%** | **35,055** | **100.0%** | **+4,450** | **+12.7%** |
| traditional | 21,508 | 54.4% | 20,302 | 57.9% | +1,206 | +5.9% |
| outright and discounted purchase | 12,717 | 32.2% | 10,093 | 28.8% | +2,624 | +26.0% |
| guarantee only | 462 | 1.2% | 490 | 1.4% | -28 | -5.8% |
| maturity | 4,818 | 12.2% | 4,170 | 11.9% | +648 | +15.5% |

The breakdown of turnover between domestic and international shows strong growth in the export component, equal to 28.4%, compared to a smaller increase in the domestic component share which fell by 1.4 percentage points.

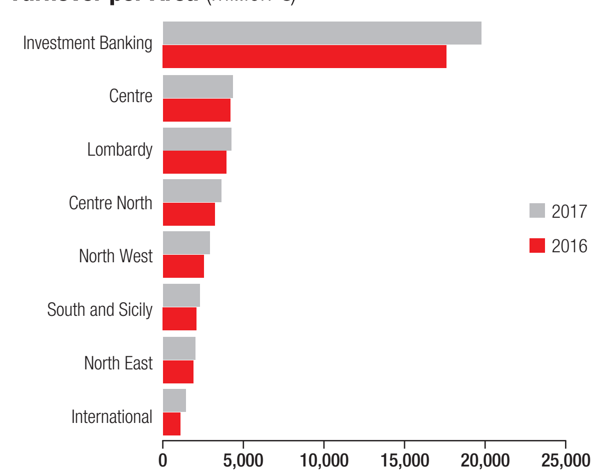
(€ million)

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | AMOUNT | COMP. % | AMOUNT | COMP. % | ABSOLUTE | % |
| **Turnover** | **39,505** | **100.0%** | **35,055** | **100.0%** | **+4,450** | **+12.7%** |
| Domestic | 33,860 | 85.7% | 30,523 | 87.1% | +3,337 | +10.9% |
| Import | 480 | 1.2% | 509 | 1.5% | -29 | -5.7% |
| Export | 5,165 | 13.1% | 4,023 | 11.5% | +1,142 | +28.4% |

The development of the import/export component benefiting from the activity of the International Area which, during the course of the year, expanded its corresponding foreign Factor network, thereby now also covering previously unrepresented geographical areas.

In conclusion, it should be noted that all areas recorded an increase over the previous year with Investment Banking alone accounting for 50% of total turnover.

**Turnover per Area** (million €)



# Report on Operations (Continued)

With reference to Total receivables, the past-due share registered a slight increase on an absolute value basis (+5.4%), whereas it remained stable as a proportion (27%) over the previous period, due to the increase in the outstanding managed. This result was achieved due to the now consolidated efficiency and effectiveness levels achieved by the Debtor Management Department which put in place operations leading to significant results, also market-related, in terms of average collection of receivables.

- This was achieved by: increasing management and monitoring activities for receivables past-due and falling due;
- continuing the recognition and analysis of receivables past-due for the longest terms and refining the measures taken;
- increased control levels relating to operational management of assigned receivables.

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

In conclusion, the following tables illustrate the share of the total receivables by sector and branch of debtor's business activity.

**Total receivables by sector of debtor's business activity**

(€ million)

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | AMOUNT | COMP. % | AMOUNT | COMP. % | ABSOLUTE | % |
| PUBLIC ADMINISTRATION | 3,799 | 30.06% | 3,887 | 39.5% | -89 | -2.3% |
| FINANCIAL COMPANIES | 79 | 0.63% | 57 | 0.7% | +22 | +39.2% |
| NON-FINANCIAL COMPANIES | 6,646 | 53% | 6,034 | 48.9% | +612 | +10.1% |
| HOUSEHOLDS | 46 | 0.4% | 50 | 0.7% | -4 | -7.1% |
| NON-PROFIT INSTITUTES SERVING HOUSE-HOLDS. | 114 | 0.9% | 69 | 0.3% | +45 | +65.4% |
| REST OF THE WORLD | 1,931 | 15% | 1,569 | 9.8% | +362 | +23.1% |
| OTHER | 24 | 0% | 16 | 0.1% | +8 | +51.9% |
| **Total receivables** | **12,639** | **100%** | **11,682** | **100.0%** | **+957** | **+8.2%** |

The division by branch of business activity pertaining to the debtor counterparts indicates only "non-financial companies" and "family business".

**Total receivables by branch of debtor's business activity**

(€ million)

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | AMOUNT | COMP. % | AMOUNT | COMP. % | ABSOLUTE | % |
| AGRICULTURE, FORESTRY, FISHING | 17 | 0.18% | 11 | 0.25% | +6 | +50.5% |
| ENERGY | 881 | 13.27% | 807 | 9.97% | +74 | +9.2% |
| MINERALS, IRON METALS AND OTHERS | 207 | 2.77% | 168 | 3.96% | +39 | +22.9% |
| MINERALS AND NON-METAL, MINERAL-BASED PRODUCTS | 82 | 0.94% | 57 | 1.06% | +24 | +42.6% |
| CHEMICALS | 82 | 1.08% | 66 | 1.11% | +16 | +25.1% |
| METAL PRODUCTS EXC. MACHINERY | 413 | 5.42% | 330 | 6.44% | +83 | +25.0% |
| ELECTRICAL MACHINERY AND SUPPLIES | 64 | 1.45% | 88 | 1.27% | -24 | -27.1% |
| TRANSPORT MEANS | 775 | 11.48% | 698 | 17.00% | +77 | +11.0% |
| FOODSTUFFS, BEVERAGES, TOBACCO | 325 | 3.95% | 240 | 3.22% | +84 | +35.0% |
| TEXTILES, LEATHER, SHOES, CLOTHING | 57 | 0.92% | 56 | 1.04% | +1 | +0.9% |
| PAPER, PRINTING PRODUCTS, PUBLISHING SECTOR | 77 | 0.89% | 54 | 0.95% | +23 | +41.7% |
| RUBBER, PLASTIC | 49 | 0.57% | 35 | 0.25% | +14 | +39.1% |
| OTHER INDUSTRIAL PRODUCTS | 37 | 0.45% | 27 | 0.98% | +9 | +34.3% |
| BUILDING AND PUBLIC WORKS | 148 | 2.87% | 175 | 3.41% | -27 | -15.4% |
| BUSINESS SERVICES, RECOVERIES, REPAIRS | 1,965 | 28.53% | 1,736 | 28.86% | +229 | +13.2% |
| HOTEL AND PUBLIC AGENCY SERVICES | 11 | 0.17% | 10 | 0.11% | +1 | +6.6% |
| INTERNAL TRANSPORT SERVICES | 61 | 1.55% | 94 | 2.66% | -33 | -35.4% |
| MARITIME, AIR TRANSPORT SERVICES | 0 | 0.01% | 1 | 0.00% | -1 | -66.7% |
| TRANSPORT-RELATED SERVICES | 105 | 1.80% | 109 | 1.66% | -5 | -4.1% |
| COMMUNICATIONS | 554 | 7.59% | 462 | 5.52% | +92 | +20.0% |
| OTHER SALES-BASED SERVICES | 768 | 13.83% | 841 | 8.13% | -73 | -8.7% |
| **TOTAL NON-FINANCIAL COMPANIES AND FAMILY BUSINESS** | **6,692** | **100.00%** | **6,084** | **100.00%** | **+608** | **+10.0%** |

## Receivables

The stocks of receivables at book value stood at 10,395 million, showing 11.8% increase compared to the end of the previous year, slightly less than turnover growth. In annual average terms, disbursements registered a sustained increase amounting to around 9%. The customer based component remained above 91% of the total, while receivables with banks increased by almost one point, which offset the same reduction in those with financial institutions.

**Receivables**

(€ million)

| | 12.31.2017 | | 12.31.2016 | | CHANGE | |
|---|---|---|---|---|---|---|
| | AMOUNT | COMP. % | AMOUNT | COMP. % | ABSOLUTE | % |
| receivables from credit institutions | 270 | 2.6% | 165 | 1.8% | +105 | +63.6% |
| receivables from financial institutions | 648 | 6.2% | 652 | 7.0% | -4 | -0.6% |
| receivables from customers | 9,477 | 91.2% | 8,479 | 91.2% | +998 | +11.8% |
| **Total receivables** | **10,395** | **100.0%** | **9,296** | **100.0%** | **+1,099** | **+11.8%** |
| *of which:* | | | | | | |
| *with-recourse advances* | *1,261* | *12.1%* | *1,166* | *12.5%* | *+95* | *+8.1%* |
| *with-recourse advances (ex-formal non-recourse)* | *2,499* | *24.0%* | *2,007* | *21.6%* | *+492* | *+24.5%* |
| *advances on contracts* | *177* | *1.7%* | *231* | *2.5%* | *-54* | *-23.4%* |
| *non-recourse receivables* | *5,562* | *53.5%* | *4,998* | *53.8%* | *+564* | *+11.3%* |
| *deferred receivables + debtor financing* | *576* | *5.5%* | *516* | *5.6%* | *+60* | *+11.6%* |
| *non-performing receivables* | *207* | *2.0%* | *284* | *3.1%* | *-77* | *-27.1%* |
| *other receivables* | *113* | *1.1%* | *94* | *1.0%* | *+19* | *+20.2%* |

The aggregate growth is mainly explained by the 24.5% increase in non-recourse receivables, which increased share total by 2.4 points (from 21.6% to 24.0%) and by with-recourse receivables, which increased in line with the total to remain at around 53% of the total. About 80% of the non-recourse transactions are carried out through outright receivable purchase transactions.

From an asset quality viewpoint, non-performing receivables at book value registered a 27.1% decrease, falling from 284 million at the end of 2016 to 207 million at the end of 2017, with their proportion of booked receivables falling from 3.1% to 2.0% over the twelve months. The reduction in absolute value is entirely attributable to the decrease in past-due receivables, which fell from 182 million to 104 million between the two years. Bad loans were down by around 9%, and unlikely to pay were up by 7%, overall remaining at the same level as the end of 2016.

Hedging of bad loans was at 83%, including partial write-offs, while hedging of receivables classified as unlikely to pay rose from 37.8% to 41.6%.

The coverage of past-due receivables remains substantially at the same levels as the end of the previous year (around 5%). The coverage of total non-performing receivables therefore increased from 48.9% to 56.3%, also taking into account partial write-offs.

**Non-performing receivables**

(€ million)

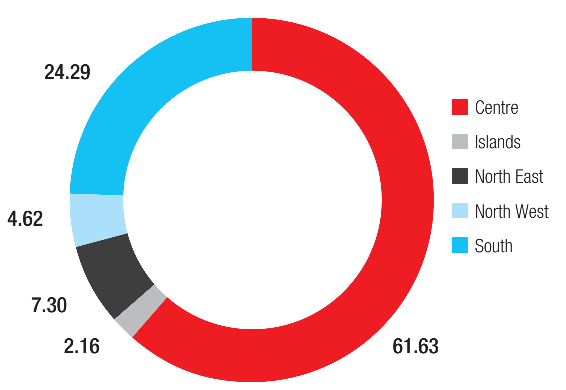
| | BAD LOANS | | | | TOTAL NON-PERFORMING | |
|---|---|---|---|---|---|---|
| | BOOK VALUE | INCL. WRITE-OFFS | UNLIKELY TO PAY | PAST-DUE RECEIVABLES | BOOK VALUE | INCL. WRITE-OFFS |
| **As at 31.12.2017** | | | | | | |
| Nominal value | 134.6 | 261.6 | 102.5 | 110.0 | 347.1 | 474.1 |
| *as a percentage of total receivables* | *1.28%* | | *0.97%* | *1.04%* | *3.29%* | |
| Write-downs | 91.6 | 218.6 | 42.6 | 5.6 | 139.8 | 266.8 |
| *as a percentage of face value* | *68.08%* | *83.58%* | *41.56%* | *5.11%* | *40.29%* | *56.29%* |
| Book value | 43.0 | 43.0 | 59.9 | 104.4 | 207.2 | 207.2 |
| *as a percentage of total receivables* | *0.41%* | | *0.58%* | *1.00%* | *1.99%* | |
| **As at 31.12.2016** | | | | | | |
| Nominal value | 200.9 | 275.8 | 89.0 | 191.9 | 481.9 | 556.7 |
| *as a percentage of total receivables* | *2.11%* | | *0.94%* | *2.02%* | *5.06%* | |
| Write-downs | 154.2 | 229.0 | 33.6 | 9.8 | 197.5 | 272.4 |
| *as a percentage of face value* | *76.73%* | *83.05%* | *37.75%* | *5.08%* | *40.99%* | *48.92%* |
| Book value | 46.8 | 46.8 | 55.4 | 182.2 | 284.4 | 284.4 |
| *as a percentage of total receivables* | *0.50%* | | *0.60%* | *1.96%* | *3.06%* | |

# Report on Operations (Continued)

Bad loans at book value dropped from the 46.8 million of 2016 to 43 million at end 2017 at absolute value and from 0.50% to 0.41% of total receivables. The hedge ratio, taking into consideration adjustments and partial write-offs, moved from 83.05% at the end of 2016 to 83.58% in December 2017.
During 2017, 24 new positions became classed as bad loans, totalling €8 million, with provisions for €5.4 million.

The distribution of the bad loans (before provisions) by geographical area indicated the prevalence of positions relating to counterparts in the Center and South:

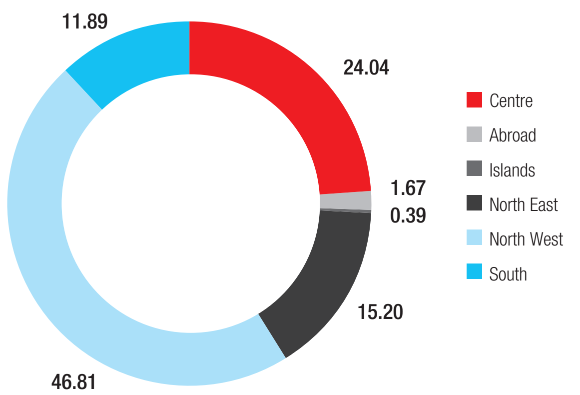
**Bad loans by geographical area** (%)




Unlikely to pay showed a slight increase between the end of 2016 and the end of 2017, having risen from 55.4 million to 59.9 million in absolute value and but showing a slight drop from 0.60% to 0.58% as a percent ratio compared to the total net receivables. During 2017, 21 new positions became unlikely to pay, for an overall of 50.4 million, with provisions amounting to 21.5 million.

The distribution by geographic area of the total gross unlikely to pay showed a decided prevalence of the North West and Center areas.

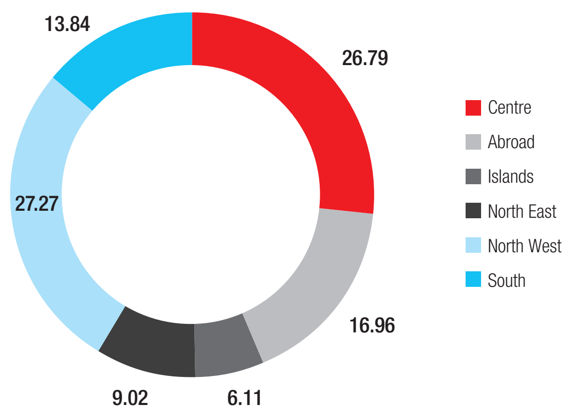
**Unlikely to pay by geographical area** (%)




Past-due non-performing receivables showed a marked reduction from the end of 2016 to the end of 2017, moving from 182.2 million to 104.4 million in absolute terms, accounting for 1% of total net receivables compared with 2% at the end of the previous year.

Past-due receivables are not highly concentrated in specific geographical areas.

**Past due by geographic area** (%)



## Risk management and control methods

The Credit and Risk Department supervises the process relating to the valuation/measuring and monitoring of risk, ensuring overall governance, through cost containment and the optimization of portfolio breakdown.

For the proper management of credit risk, in line with the organisational model adopted by the Parent Company, the Company has designed its organizational structure by separating the customer-assignor acquisition and management processes from those relating to debtor management, with decision-making falling to the Credit and Risk Department, which also supervises systematic monitoring and Risk Management.

The power to grant loans, held by the Board of Directors, is partially delegated to the Loans Committee and the Chief Executive Officer, who supervise a sub-delegated system of individual units of the Credit Department.

The delegation and sub-delegation system is periodically reviewed (jointly with the Parent Company) and adapted to changing market conditions and the Company's structural requirements.

With reference to market risk, considering the Company does not work with trading financial instruments, the nature and operating modes of the product allow the company to keep within restricted levels of any assumed risk.

The Company's assets, chiefly short-term by nature, allow for minimum exposure to interest-rate change since the Company generally works by:
- periodically updating variable rates to match the same maturities as provisions;
- applying fixed rates based on funding costs (outright purchase of receivables).

The interest rate risk relating to outright purchase transactions with maturities beyond the short term are usually hedged by interest-rate swaps made 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 fund-raising.

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

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

# Report on Operations (Continued)

## Income Statement and Equity

### Income Statement

The Income Statement illustrated here below follows the reclassification outline adopted by the Group; the reconciliation table with the format used in the financial statements is attached.

**Reclassified income statement**

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | ABSOLUTE | % |
| Net interest | 114.1 | 124.6 | -10.5 | -8.4% |
| Net fees and commissions | 55.5 | 62.5 | -6.9 | -11.1% |
| Trading and hedging income/expense | 0.0 | 0.1 | -0.1 | -76.3% |
| Net other expenses/income | 2.8 | 12.8 | -10.0 | -78.2% |
| **OPERATING INCOME** | **172.5** | **200.0** | **-27.5** | **-13.8%** |
| Staff costs | -26.2 | -25.5 | -0.7 | +2.7% |
| Other administrative expenses | -19.7 | -22.1 | 2.5 | -11.1% |
| Value adjustment to property, plant and equipment and intangible fixed assets | -0.1 | -0.5 | 0.4 | -85.8% |
| **Operating costs** | **-46.0** | **-48.2** | **2.2** | **-4.6%** |
| **OPERATING PROFIT (LOSS)** | **126.5** | **151.8** | **-25.3** | **-16.7%** |
| Net write-downs of receivables | -14.7 | -15.5 | 0.9 | -5.6% |
| **NET OPERATING PROFIT (LOSS)** | **111.8** | **136.3** | **-24.5** | **-17.9%** |
| Net provisions for risks and charges | -24.0 | -8.2 | -15.8 | +191.8% |
| Integration costs | -0.7 | -6.3 | 5.6 | -88.9% |
| **GROSS PROFIT** | **87.1** | **121.8** | **-34.7** | **-28.5%** |
| Income tax for the year | -26.1 | -35.3 | 9.2 | -26.1% |
| **NET PROFIT** | **61.0** | **86.5** | **-25.5** | **-29.5%** |

The normalized changes, which have a sterilizing effect on the impact of the extraordinary interest collected in the two periods (around 20 million for both) are not given because they are substantially in line with the effective figures. The other operating expenses/incomes are shown in operating income and integration costs are shown separately.

In terms of revenue, the fall over 2016 is due to a fall in operating revenue, from lower insurance refunds and the reduction in interest and commissions which, despite robust growth in turnover volumes (+12.7%) and in lending (+9.6% in average annual terms), fell due to the generalized drop in spread and average commission levels as a result of highly aggressive competition and low interest levels, boosted by the expansive monetary policies adopted by the ECB. These market factors added to the effects of a portfolio shift towards higher standing customers with consequently lower pricing levels.

Consequently the operating income stood at 172.5 million with a 13.8% reduction over the previous year. This result was achieved with the contribution of 114.1 million from the interest margin (-8.4%), 55.5 million from net fees and commissions (-11.1%) and 2.8 million from other items (-78.2%).

Regarding costs, expenses for human resources recorded a 2.7% increase compared with a stable workforce (annual average -0.4%). This increase is explained by a positive effect on the 2016 variable non-recoverable share.

Other administrative expenses decreased by 11.1%, mainly due to savings in receivables recovery costs and consulting expenses, and to a lesser extent in expenses for outsourced activities.

Overall operating costs stood at 46.0 million, with a 4.6% decrease over the previous year. The ratio between costs and revenue rose to 26.6% compared to the 24.1% of the previous year while the operating income, 126.5 million also showed a reduction over 2016.

Net write-downs of receivables amounted to 14.7 million, a reduction of 0.9 million over the previous year. With respect to average lending, the adjustments remained moderate (0.19% compared to 0.22% of 2016).

Gross profit, amounting to 87.1 million, was affected by the significant net provisions for risk and charges of 24.0 million, mainly due to probable settlement agreements on revolving risks and unfavourable developments in pending legal actions, as well as integration costs of 0.7 million relating to personnel leaving under the plan. Net income, after taxes of 26.1 million, came to 61.0 million, compared to 86.5 million for the previous year.

## Shareholders' Equity and Capital Ratios

Shareholders' equity at 31 December 2017 reached 747 million, in line with the previous year, as profits for the period (61 million) were in line with the dividends distributed with the approval of the 2016 profit (60.6 million). Common Equity Tier 1 capital, taking into account the distribution of around 70% of the net profit gained over the period, stood at 705 million compared to the 699 million at end 2016 (+2.7%). In 2017 hybrid instruments and subordinated liabilities were repaid and the total capital amounted to 705 million, compared to the 701 million of the previous year.

Total risk-weighted assets showed a 10.3% increase, against 12.1% non-weighted. The CET 1 stood at 9.3% as did the Total Capital Ratio, down from 10% in the previous year against an allowed minimum of 6%.

**Shareholder's equity and Capital ratio**

(€ million)

| | FIGURES AT | | CHANGE VS 12.31.2016 | |
|---|---|---|---|---|
| | 12.31.2017 | 12.31.2016 | ABSOLUTE | % |
| Shareholders' equity | 747 | 747 | +0 | 0.0% |
| Period profit to distribute (-) | 43 | 61 | -18 | -29.7% |
| Negative/positive features | 0 | 0 | +0 | -100.0% |
| Common Equity Tier 1 capital | 705 | 686 | +18 | 2.7% |
| Hybrid instruments and subordinated liabilities | 0 | 6 | -6 | -99.9% |
| Total own funds | 705 | 692 | +12 | 1.8% |
| Total risk-weighted assets | 7,567 | 6,861 | +706 | 10.3% |
| CET 1 | 9.31% | 10.00% | -0.7% | |
| Total Capital Ratio | 9.31% | 10.09% | -0.8% | |

# Other information

## Application for enrolment in the new single Register of financial brokers

As from 9 May 2016 our Company has been listed in the new single Register of Financial Brokers pursuant to the amended art. 106 TUB.

## Auditing

The Company, in line with the Group policies on governing controls, makes use of the Internal Auditing Service offered by UniCredit S.p.A., through the Group Audit Compliance, Operational, Credit & Finance Risks department which reports to the Internal Audit of UniCredit S.p.A.

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

Throughout 2017 supervisory activities by the Supervisory Board (OdV) were ongoing on monitoring the adequacy of and compliance with the Organizational and Managerial Model, set up pursuant to Legislative Decree 231/01 in terms of the administrative liability of legal persons, corporations and associations, also without legal personality. The OdV carried out the verification activity in collaboration with the Internal Audit Department. The start of 2017 saw the updated regime of the Organization and Management Model and related decision-making protocols approved at the end of 2016 by the Board of Directors enter into force.

## Business Continuity

As provided for by Bank of Italy regulations and in harmony with the instructions of the Parent Company, the Company approved and activated the Business Continuity and management of events and crisis situations plan, which covers the main crisis/disaster scenarios and identifies, as regards each and every potentially damaging event, solutions to be adopted to ensure adequate operating continuity in acceptable deterioration conditions. The principle guidelines of the Plan provide for the distribution, in each possible case, of identified crucial activities throughout the Company's offices (the Milan headquarters and the secondary location in Rome), and for the use of the competent resources located therein, to be periodically updated and equipped with the necessary skills, to allow for rapid intervention in replacing units unable to operate in the effected location.

## Environment and health and safety at work

Training activities pursuant to D.lgs (Legislative Decree) 81/2008 were ongoing in 2017 on the basis of Group guidelines and standards, in particular the updated program for training staff appointed to manage fire-fighting and first-aid emergencies, together with the health monitoring program for video-terminal users.

# Report on Operations (Continued)

## Related parties transactions

With respect to business relations with the Parent Company and with other companies belonging to the UniCredit Group, see the relevant Table in the Explanatory Notes (Part D - Other information - Section 6 - Related parties transactions).

## Treasury shares or Parent Company shares in the portfolio

The Company does not hold and has not held during the course of the year under any title, Treasury or Parent Company shares.

## Research and development

During the period no investments were made in research and development.

## Financial instruments

At 31 December 2017, the Company had derivative financial instruments to hedge the interest rate risk. More detailed information on the management pol-icy relating to financial risks and the breakdown of the derivatives portfolio are in the Notes to the Financial Statements.

## Parent Company 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 Statements (Part D - Further information - Section 6) illustrate the existing business relations between those engaged in management and coordination activities and also with the other companies subject to the same. The attachments to the Notes to the Financial State-ments include a table summarizing the principle data pertaining to the Parent Company.

We specify, moreover, that the Company adheres to the consolidated tax regime adopted by the Group.

## Registered Offices

Milan, 5 via Livio Cambi.

## Secondary registered offices

The Company has no secondary registered offices.

## Significant events after the year-end and outlook

### Subsequent events to the close of the year

No significant events occurred after the end of the year which would have an impact on these financial statements.

### Expected management evolution

General expectations converge on growth in the United States in 2018, which will benefit from a short-term impetus driven by tax cuts; the eurozone will maintain a solid growth rate and emerging economies will continue to benefit from favourable conditions. The major central banks are likely to cut back on their monetary stimulus, but in gradual way.

Recovery will continue in the euro area in 2018, with an expected slowdown only in 2019. Growth in consumption and investment is predicted to generate further positive effects for recovery in 2018, while solid global growth will be sufficient to offset a stronger euro exchange rate. Substantially stable growth is expected in 2018 for the three largest countries of the euro. In particular, after a slow start, economic growth will also strengthen in Italy, due to the support of both foreign demand and domestic demand. Expectations of sustained global growth, together with an accommodating monetary policy, will set the conditions for the economic growth pace observed in 2018 to be maintained.

On the domestic demand side, while it is reasonable to expect a calming of private consumption growth, in the context of a moderation of real disposable income, the prospects for investments remains encouraging, where it is possible to expect an acceleration in expansion. A gradual credit recovery is expected, although there remains a clear dichotomy between the growth of household loans, substantially in line with the eurozone as a whole, and the persistent weakness of business loans. If favourable macroeconomic outlook accompanies a visible growth in business loans, this could generate further positive effects for Italian growth.

With specific regard to the factoring sector, expectations reported in January were positive, forecasting a growth over 2017 for both turnover and for outstanding and lending, again representing better growth rates than general economic rates.

Against this backdrop the Company will pursue its objective of further developing turnover volumes and keeping lending on a growth path, through intensified collaboration with the Parent Company's network, a launch of new projects under the "Transform 2019" plan and developing new commercial opportunities in the field of reverse factoring and international trade.

Milan, 6 February 2018

| CEO | For the Board of Directors |
|---|---|
| Roberto Fiorini | The Chairman: Maurizio Guerzoni |

# Proposals submitted to the Ordinary Shareholder's Meeting

The financial statements including the report on operations, which we submit for your approval, were audited by Deloitte & Touche S.p.A., pursuant to the resolutions deliberated by the Shareholders' Meeting of 18 April 2013.

Furthermore we propose the following allocation of the yearly profits, amounting to €61,003,052, as follows:

| | |
|---|---|
| to the Legal Reserve | € 3,050,153 |
| to the other reserves | € 15,393,899 |
| to shareholders on the basis of 0.53 per share | € 42,559,000 |

Milan, 6 February 2018

The Chief Executive Officer
Roberto Fiorini

For the Board of Directors
The Chairman: Maurizio Guerzoni

# Financial Statements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# Financial Statements

## Statement of Financial Position

(Value in Euros)

| ASSETS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 10. Cash and cash equivalents | 170 | 1,134 |
| 40. Available-for-sale financial assets | 2,216,974 | 2,740,175 |
| 60. Receivables: | 10,395,089,487 | 9,295,813,627 |
| with banks | 270,018,375 | 165,453,538 |
| with financial institutions | 648,195,986 | 651,725,461 |
| with customers | 9,476,875,126 | 8,478,634,628 |
| 80. Changes in fair value of macro-hedged financial assets (+/-) | 3,810,144 | 7,861,869 |
| 100. Property, plant and equipment | 968 | 2,760 |
| 120. Tax assets | 51,257,820 | 48,846,261 |
| a) current | - | - |
| b) deferred | 51,257,820 | 48,846,261 |
| - as per Law 214/2011 | 37,513,942 | 40,960,226 |
| 140. Other assets | 43,543,296 | 11,444,785 |
| **TOTAL ASSETS** | **10,497,202,419** | **9,367,241,619** |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 10. Payables | 9,208,125,084 | 8,307,981,977 |
| with banks | 9,047,048,481 | 8,116,447,977 |
| with financial institutions | 5,988,101 | 6,180,734 |
| with customers | 155,088,502 | 185,353,266 |
| 20. Debt securities in issue | 0 | 77,065,026 |
| 50. Hedging derivatives | 7,913,595 | 10,524,773 |
| 70. Tax liabilities | 22,982,018 | 979,323 |
| a) current | 22,982,018 | 979,323 |
| 90. Other liabilities | 454,242,372 | 186,867,296 |
| 100. Provision for employee severance pay | 2,927,458 | 3,454,878 |
| 110. Provisions for risks and charges: | 53,922,270 | 33,833,010 |
| b) other provisions | 53,922,270 | 33,833,010 |
| 120. Share capital | 414,348,000 | 414,348,000 |
| 150. Share premium | 951,314 | 951,314 |
| 160. Reserves | 271,155,754 | 245,221,804 |
| 170. Valuation reserves | (368,498) | (465,932) |
| 180. Profit (Loss) for the year | 61,003,052 | 86,480,150 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **10,497,202,419** | **9,367,241,619** |

## Income Statement

(Value in Euros)

| ITEMS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 10. Interest income and similar revenues | 120,634,224 | 135,456,964 |
| 20. Interest expense and similar costs | (6,505,784) | (10,808,782) |
| **NET INTEREST MARGIN** | **114,128,440** | **124,648,182** |
| 30. Fee and commission income | 69,249,790 | 73,552,423 |
| 40. Fee and commission expense | (13,712,875) | (11,081,876) |
| **NET FEES AND COMMISSIONS** | **55,536,915** | **62,470,547** |
| 60. Gains (losses) on financial assets and liabilities held for trading | 24,779 | 104,682 |
| **OPERATING INCOME** | **169,690,134** | **187,223,411** |
| 100. Net impairment/write-backs on: | (14,659,843) | (15,523,009) |
| a) financial assets | (14,659,843) | (15,523,009) |
| 110. Administrative expenses: | (46,581,553) | (53,911,973) |
| a) staff costs | (26,910,176) | (31,776,656) |
| b) other administrative expenses | (19,671,377) | (22,135,317) |
| 120. Net value adjustments/write-backs on property, plant and equipment | (1,792) | (26,731) |
| 130. Net value adjustments/write-backs on intangible assets | (69,009) | (470,248) |
| 150. Net provisions for risks and charges | (24,035,936) | (8,238,167) |
| 160. Other operating expenses/income | 2,773,719 | 12,752,697 |
| **NET OPERATING PROFIT/(LOSS)** | **87,115,720** | **121,805,980** |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES** | **87,115,720** | **121,805,980** |
| 190. Tax expenses (income) from continuing operations | (26,112,668) | (35,325,830) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS AFTER TAXES** | **61,003,052** | **86,480,150** |
| **PROFIT (LOSS) FOR THE YEAR** | **61,003,052** | **86,480,150** |

## Statement of Comprehensive Income

(Value in Euros)

| ITEMS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **10. Profit (Loss) for the year** | **61,003,052** | **86,480,150** |
| **Other comprehensive income after tax not reclassified to profit or loss** | | |
| 20. Property, plant and equipment | - | - |
| 30. Intangible assets | - | - |
| 40. Defined benefit plans | 97,434 | (139,684) |
| 50. Non-current assets held for sale | - | - |
| 60. Portion of valuation reserves from investments valued at equity | - | - |
| **Other comprehensive income after tax not reclassified to profit or loss** | | |
| 70. Hedges of foreign investments | - | - |
| 80. Exchange-rate differences | - | - |
| 90. Cash-flow hedging | - | - |
| 100. Available-for-sale financial assets | - | - |
| 110. Non-current assets held for sale | - | - |
| 120. Portion of valuation reserves from investments valued at equity | - | - |
| **130. Total other comprehensive income after tax** | **97,434** | **(139,684)** |
| **140. Comprehensive income (Item 10+130)** | **61,100,486** | **86,340,466** |

# Financial Statements (Continued)

## Statement of Changes in Equity at 31 December 2017

| | BALANCE AT 12.31.2016 | CHANGE IN OPENING BALANCE | BALANCE AT 01.01.2017 | ALLOCATION OF PROFIT FROM PREVIOUS YEAR | |
|---|---|---|---|---|---|
| | | | | RESERVES | DIVIDENDS AND OTHER DISTRIBUTIONS |
| Share capital | 414,348,000 | - | 414,348,000 | - | - |
| Premium issues | 951,314 | - | 951,314 | - | - |
| Reserves: | - | | - | | |
| a) from profits | 245,221,804 | - | 245,221,804 | 25,933,950 | - |
| b) other | - | - | - | - | - |
| Revaluation reserve | (465,932) | | (465,932) | | - |
| Equity instruments | - | - | - | | - |
| Treasury shares | - | - | - | - | - |
| Profit (Loss) for the year | 86,480,150 | - | 86,480,150 | (25,933,950) | (60,546,200) |
| **Shareholders' equity** | **746,535,336** | **-** | **746,535,336** | **-** | **(60,546,200)** |

## Statement of Changes in Equity at 31 December 2016

| | BALANCE AT 12.31.2015 | CHANGE IN OPENING BALANCE | BALANCE AT 01.01.2016 | ALLOCATION OF PROFIT FROM PREVIOUS YEAR | |
|---|---|---|---|---|---|
| | | | | RESERVES | DIVIDENDS AND OTHER DISTRIBUTIONS |
| Share capital | 414,348,000 | - | 414,348,000 | - | - |
| Premium issues | 951,314 | - | 951,314 | - | - |
| Reserves: | | | | | |
| a) from profits | 215,156,748 | - | 215,156,748 | 30,065,056 | - |
| b) other | - | - | - | - | - |
| Revaluation reserve | (326,248) | | (326,248) | | - |
| Equity instruments | - | - | - | | - |
| Treasury shares | - | - | - | - | - |
| Profit (Loss) for the year | 100,247,256 | - | 100,247,256 | (30,065,056) | (70,182,200) |
| **Shareholders' equity** | **730,377,070** | **-** | **730,377,070** | **-** | **(70,182,200)** |

(in Euros)

| | Changes in reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Shareholders' equity transactions | | | | | | |
| CHANGES IN RESERVES | NEW SHARES ISSUE | ACQUISITION OF TREASURY SHARES | DISTRIBUTION OF ORDINARY DIVIDENDS | CHANGES IN EQUITY INSTRUMENTS | OTHER CHANGES | COMPREHENSIVE INCOME 12.31.2017 | SHAREHOLDERS' EQUITY 12.31.2017 |
| - | - | - | - | - | - | - | 414,348,000 |
| - | - | - | - | - | - | - | 951,314 |
| - | - | - | - | - | - | - | 271,155,754 |
| - | - | - | - | - | - | - | - |
| | - | - | - | - | - | 97,434 | (368,498) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 61,003,052 | 61,003,052 |
| **-** | **-** | **-** | **-** | **-** | **-** | **61,100,486** | **747,089,622** |

(in Euros)

| | Changes in reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Shareholders' equity transactions | | | | | | |
| CHANGES IN RESERVES | NEW SHARES ISSUE | ACQUISITION OF TREASURY SHARES | DISTRIBUTION OF ORDINARY DIVIDENDS | CHANGES IN EQUITY INSTRUMENTS | OTHER CHANGES | COMPREHENSIVE INCOME 12.31.2016 | SHAREHOLDERS' EQUITY 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** |

# Financial Statements (Continued)

## Statement of cash flows - Direct method

(Value in Euros)

| ASSETS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **A. OPERATING ACTIVITIES** | | |
| **1. OPERATIONS** | **102,338,759** | **119,873,850** |
| - interest income collected | 109,633,395 | 134,158,809 |
| - interest expense paid | (6,505,784) | (10,808,782) |
| - net fees and commissions | 55,536,915 | 62,470,547 |
| - staff costs | (26,910,176) | (31,776,656) |
| - other costs | (19,671,377) | (22,135,317) |
| - other revenues | 18,780,013 | 14,263,501 |
| - taxes | (28,524,227) | (26,298,252) |
| **2. CASH-FLOW GENERATED/ABSORBED BY FINANCIAL ASSETS** | **(1,175,822,426)** | **(867,073,666)** |
| - available-for-sale financial assets | 523,201 | (530,001) |
| - receivables with banks | (122,124,900) | 254,143 |
| - receivables with financial institutions | 3,528,949 | (230,245,027) |
| - receivables with customers | (1,028,881,330) | (637,371,052) |
| - other assets | (28,868,346) | 818,271 |
| **3. CASH-FLOW GENERATED/ABSORBED BY FINANCIAL LIABILITIES** | **1,116,468,840** | **836,775,741** |
| - payables to banks | 930,600,504 | 896,816,741 |
| - payables to financial institutes | (191,942) | (21,480,080) |
| - payables to customers | (30,265,455) | (8,089,650) |
| - outstanding securities | (77,065,026) | (19,244) |
| - other liabilities | 293,390,759 | (30,452,026) |
| **NET CASH GENERATED/ABSORBED BY OPERATING ACTIVITIES** | **42,985,173** | **89,575,925** |
| **B. INVESTING ACTIVITIES** | | |
| **1. CASH GENERATED BY:** | | |
| - sales of property, plant and equipment | - | - |
| - sales of intangible assets | - | - |
| - sales of business units | - | - |
| **2. CASH ABSORBED BY:** | | |
| - purchases of property plant and equipment | - | - |
| **NET CASH GENERATED/ABSORBED BY INVESTING ACTIVITIES** | **-** | **-** |
| **C. FUNDING ACTIVITIES** | | |
| - distribution of dividends and other distributions | (60,546,200) | (70,182,200) |
| **NET CASH GENERATED/ABSORBED BY FUNDING ACTIVITIES** | **(60,546,200)** | **(70,182,200)** |
| **NET CASH GENERATED/ABSORBED IN THE YEAR** | **(17,561,027)** | **19,393,725** |

## Reconciliation

| | 12.31.2017 | 12.31.2016 |
|---|---|---|
| Cash and cash equivalents at the beginning of the period [1] | 28,209,066 | 8,815,341 |
| Total net cash generated/absorbed during period | (17,561,027) | 19,393,725 |
| Cash and cash equivalents at the end of period [1] | 10,648,039 | 28,209,066 |

1. Including deposits and active current accounts.

# Notes to the Financial Statements


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# Part A - Accounting Policies


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# Part A - Accounting Policies

## A.1 - General

### Section 1 - Statement of compliance with International Accounting Standards

The Reports and Financial Statements at 31 December 2017 were drawn up according to international IAS/IFRS accounting standards, issued by the IASB, endorsed by the European Commission on 31 December 2017, including the relevant interpretations of the international Financial Reporting Interpretation Committee (IFRIC), as stipulated by Community regulation nr. 1606 of 19 July 2002, applied in Italy by Legislative Decree nr. 38 28 February 2005.

The reports and accounts were prepared on the basis of the guidelines from the instructions of the Governor of the Bank of Italy's provision of 09 December 2016 "Financial Statements of IFRS intermediaries other than banking intermediaries", which entirely replaced the "Instructions for the drafting of financial statements and reports of financial intermediaries, payment institutes, electronic money institutes (IMEL), SGRs (Savings management companies) and SIMs (Securities brokerage companies)", attached to the Bank of Italy provision of 15 December 2015.

### Section 2 - General standards for the preparation of financial statements

The preparation of the reports and accounts at 31 December 2017 pertaining to UniCredit Factoring S.p.A. was carried out, as Illustrated here above, in compliance with the international accounting standards (IAS/IFRS), endorsed by the European Commission. The Financial Statements comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes to the Financial Statements. They also include the Report on Operations. The report has been prepared in Euro, except for the Notes to the Financial Statements which have been prepared in thousands of Euro, and corresponds to the Company accounting which faithfully reflects the transactions undertaken during the period.

Drafting was implemented on a going-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 Statement of Cash Flows is given on cash basis.

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

The financial statements and the Notes to the Financial Statements provide the corresponding comparisons with the previous year.

The reports and accounts at 31 December 2017 were drafted clearly and represent, truthfully and faithfully, the assets and liabilities, financial position and income pertaining to the period, the changes in Shareholders' Equity and the cash flows of the Company.

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 accordance with the IAS/IFRS standards, the Company senior 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. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

Estimation procedures were adopted, in particular, to support carrying values.

These estimates and hypotheses are regularly reviewed. Potential changes resulting from such reviews are reported in the relevant review period, should the specific review be limited to that period only. If the review 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;
- employee severance pay and other benefits owed to employees;
- provisions for risks and charges;
- financial instruments;
- deferred tax assets.

### Section 3 - Significant events subsequent to the reporting date

No significant events occurred after the reporting date that would make it necessary to change any of the information given in the Financial Statements as at 31 December 2017.

## Section 4 - Other matters

The financial statements including the report on operations, which we submit for your approval, were audited by Deloitte & Touche S.p.A., pursuant to the resolutions deliberated by the Shareholders' Meeting of 18 April 2013.

We underline that, pursuant to IAS 10, the date on which the publication of the Reports and Financial Statements was authorised by the Board of Directors was 6 February 2018.

During 2017 the following accounting standards and interpretations came into force:
- Amendments to IAS7: Disclosure Initiative (EU Reg. 2017/1989);
- Amendments to IAS12: Recognition of receivables for deferred tax assets for unrealised losses (EU Reg. 2017/1990); whose adoption did not impact current equity and income balances.

On 31 December 2017, the European Commission endorsed the following accounting standards applicable to reporting and enters into force starting from or after 1 January 2018:
- Amendments to IFRS4: Application of IFRS9 Financial instruments with IFRS4 Insurance contracts (EU Reg. 2017/1988);
- Clarifications on IFRS15: Revenue from Contracts with Customers (EU Reg. 2017/1987);
- IFRS16 - Leases (EU Reg. 2017/1986);
- IFRS9 - Financial instruments (EU Reg. 2016/2067);
- IFRS15 - Revenue from Contracts with Customers (EU Reg. 2016/1905).

Finally, at 31 December 2017, IASB had issued the following accounting standards and interpretations or revisions of standards, whose application is, however, subject to the completion of the endorsement process (as yet unfinished) by the competent bodies of the European Union:
- IFRS17 - Insurance contracts (May 2017);
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (December 2016);
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments (June 2017).
- Amendments to IFRS2: Classification and measurement of share-based payment transactions (June 2016);
- Annual Improvements to the international accounting standards 2014 - 2016 (December 2016);
- Amendments to IAS40: Transfers of Investment Property (December 2016);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (October 2017);
- Amendments to IFRS 28: Long-term Interests in Associates and Joint Ventures (October 2017);
- Annual Improvements to international accounting standards 2015 - 2017 (December 2017).

With specific reference to accounting standards to be applied in future, we underline that IFRS9:
- introduces significant changes, compared to IAS39, regarding the rules for the classification and measurement of receivables and debt securities based on a business model assessment and cash flow test of the financial instrument (named SPPI - Solely Payments of Principal and Interests);
- provides for the classification of equity instruments at fair value with the recognition of differences in the income statement or among "other comprehensive income". In this second case, in contrast to the provisions of IAS39 for financial assets available for sale, it eliminates the need to record permanent losses in value and provides that, in the event of sale of the instrument, profits and losses from the disposal are reclassified to another equity reserve and not to the income statement;
- introduces a new accounting model of impairment based on (i) an expected losses approach in place of the existing incurred losses approach and (ii) on the concept of lifetime expected loss that could lead to an anticipated and structural increase in value adjustments, particularly those on receivables;
- 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 emphasise that the standard allows the entity to continue to apply the provisions of IAS39 with respect to hedge accounting up to completion by the IASB of the project for the definition of the rules relating to macro-hedging; and
- changes in the accounting of own credit risk, i.e. changes in the value of liabilities designated at fair value due to fluctuations in their creditworthiness. The new standard provides that such changes must be recorded in an equity reserve, rather than in the income statement as required by IAS 39, thereby removing a source of volatility in income results.

To ensure compliance with the provisions of the accounting standard, the Company participated in the Group project in progress to harmonize accounting and risk monitoring methods among the various Group companies.

The project was organized at Group level through specific work-streams dedicated to "Classification and Evaluation" analysis reflecting the main changes introduced by IFRS9 and aimed at revising the classification of financial instruments in line with the new IFRS9 criteria and Impairment and to develop and implement models and methods for calculating value adjustments.

# Part A - Accounting Policies (Continued)

For the "Classification and Evaluation" work-stream, the Group has identified the different business models adopted by the different business lines and analysed the securities and loans portfolio in place to assess whether the nature of the contractual cash flows allowed measurement at amortised cost.

The analysis is carried out both by contract and by definition of specific clusters based on the nature of the transaction and with the use of the SPPI tool specifically developed internally to analyze the nature of contracts with respect to the requirements of IFRS9, as well as external data providers.

For the Impairment work-stream, the Group finalized the development of a model and methodology to determine write-downs and credit losses according to the new expected loss approach, and transfer logic, a way to identify significant credit risk increase in order to transfer loan exposure from Stage1 to Stage2.

These models and methodologies begin with regulatory set parameters (probability of default, loss given default and exposure to default) a correction to eliminate the required conservatism based on prudential rules and introduce information on expected developments through multi-scenario analysis based on macroeconomic analysis.

With reference to the transfer logic, the Group will assess whether there has been a significant increase in credit risk on the basis of the current probability of default of the credit exposure with respect to the probability of default expected at the time of initial recognition based on the internal rating.

Finally, for hedge accounting, the Group will avail of the right to continue applying the existing IAS39 hedge accounting requirements for all hedging relationships until the IASB has completed the macro-hedging accounting rules project.

The Group also envisages the use of the transitional relief provided for by the standard and therefore will not publish the comparative data in its 2018 financial statements.

Finally, the methodological choices adopted by the UniCredit group in the context of the IFRS9 Project have been the subject of a structured review by the auditing company that is currently verifying its implementation.

In this regard, it should be noted that the analysis carried out did not reveal any critical factors which cast doubt on the overall adequacy of the methodological choices according to the requirements of the new standard.

At the date of first application, the impact for the Company of IFRS9 is expected to derive from the application of the new impairment model based on expected losses, expected to result in a slight increase in write-downs on performing assets in the order of 1-2 basis points in terms of CET1.

The changes in the carrying value of financial instruments due to the transition to IFRS9 will be accounted as a balancing item to shareholders' equity at 1 January 2018.

With reference to the measurement criteria to be adopted, instead, reclassifications of receivables due to the characteristics of the related financial flows (SPPI criterion) are not envisaged.

As a result of the entry into force of IFRS9, a review of the prudential rules for calculating the absorption of capital on expected credit losses is also envisaged.

In this regard, the proposals under discussion envisage, as an option, the possibility of financial institutions adopting a transitional regime where they can reinstate the adjustments made to CET1 following the adoption of the model of impairment of the new standard, with a stepped mechanism (known as phase-in) over a period of 5 years starting in 2018. The company will not take up this option.

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

IFRS15 envisages:
- two approaches for the recognition of revenue (at point in time or over time);
- a new model for analyzing transactions (Five steps model) focusing on the transfer of control; and
- more extensive information requested for inclusion in the notes to the financial statements.

The application of the new principle is expected to have only minor impacts.

IFRS16, applicable from 1 January 2019 and endorsed by the European Union with EU Regulation 2017/1986 of 31 October 2017 (published 9 November 2017), modifies the current set of international accounting standards and interpretations on leasing and, in particular, IAS17.

IFRS16 introduces a new definition of leasing and confirms the current distinction between the two types of leasing (operating and financial) with reference to the accounting model that the lessor must apply. With reference to the accounting model to be applied by the lessee, the new standard provides that, for all types of leases, an asset must be recognized, representing the right of use of the leased asset and, at the same time, the debt relating to the fees in the leasing contract.

At the time of initial recognition, the asset is valued on the basis of cash flow associated with the leasing contract, including, in addition to the current value of the lease payments, the direct initial costs associated with the lease and any costs necessary to restore the asset at the end of the contract. Subsequent to initial recognition, the asset will be valued on the basis of the provisions for property plant and equipment and, therefore, at the cost net of depreciation and any reduction in value, at "recalculated value" or at fair value in accordance with IAS 16 or IAS40.

# A.2 - Main Items of the Financial Statements

The guidelines adopted for valuing the main items are shown below:

**1) Receivables**

Receivables consist of non-derivative financial assets, from customers, financial institutions and banks, with fixed or determinable payments and which are not listed on 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 asset, the receivables are valued at amortised cost prospectively adjusted to take account of reductions and/or write-backs resulting from the assessment process.

Very briefly, factoring transactions involve exposures to assignors representing financing granted against with-recourse assignments and exposures to assigned debtors representing the value of the receivables acquired under non-recourse assignments.

Within the framework of IAS 39, these transactions entail, for the assignor and factoring company, the valuation of the existence or non-existence of the conditions required by this international accounting standard governing the implementation of derecognition.

Indeed, in conformity 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.

a) In fact, IAS 39 provides that an enterprise may cancel a financial asset from its balance-sheet if, and only if: the financial asset is transferred together substantially with all its associated risks and contractual rights to the cash flows deriving from the asset's expiry; the benefits associated with 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 assignment.

The assignor substantially maintains all the risks and benefits, where its exposure to the 'variability' of the current value of the net future flows relating to the financial asset does not significantly change 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:
- in the case of a non-recourse assignment (with no guarantee whatsoever) the assets assigned may be eliminated from the assignor's financial statements;
- in the case of a with-recourse assignment it is likely 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 its elimination from the accounting records.

The Company has registered in 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 connected risks and benefits. With respect to the portfolio assigned with-recourse, the receivables are reported and maintained in the balance-sheet exclusively for the sums allocated by the assignor in prepayment of the consideration.

# Part A - Accounting Policies (Continued)

In more detail:
a) Receivables assigned with-recourse and "legal" non-recourse (without derecognition by the assignor) are reported exclusively with respect to the 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 disbursed against future receivables, not subject to assignments of receivables and installment loans, are recorded at a value equal to the amount of the loan, including the relevant interest and fees accrued.

At each reporting 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 actualization 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 identifying the estimated takings, relevant maturities and discount rate to be applied.

A loan or receivable is deemed non-performing when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value. Derecognition of a loan or receivable in its entirety is made when the loan or receivable is deemed to be irrecoverable or is written off.

In compliance with the Bank of Italy regulations, non-performing exposures are classified according to the following categories:
- **bad loans:** identifying the area comprising formally non-performing receivables, made up of exposures with insolvent customers, even if legally unascertained, or in equivalent situations. Valuation is implemented on an analytic basis (also through 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 homogeneous exposures;
- **Unlikely to pay:** are on-balance sheet and off-balance sheet exposures that do not meet the conditions for classification of the debtor among bad loans and for which there is an assessment that the borrower is unlikely, in the absence of actions such as enforcement of guarantees, to be able to fully meet their credit obligations (in terms of principal and/or interest). This assessment is made irrespective of any amounts (or installments) past-due and not paid.

Classification under unlikely to pay is not necessarily linked to the presence of specific anomalies (non-repayment) but rather to the presence of indications of a situation of risk of default by the borrower (for example, an industry sector crisis in that which the borrower operates).

Unlikely to pay are valued analytically whenever specific features make it advisable, or by analytically applying lump-sum percents determined according to historical/statistical bases.

- **Past-due exposures and/or overdrawn non-performing:** representing on-balance sheet exposures, other than those classified among bad loans or unlikely to pay which, at the reference date are past-due or overdrawn for more than 90 days on a material obligation, as prescribed by the relevant prudential requirements regulation and in accordance with Bank of Italy Circular 217/1996 (as amended). Past-due and/or overdrawn non-performing are determined by reference to the single debtor.

  Past-due and/or overdrawn non-performing exposures 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 prudential requirements applicable to credit agencies and investment companies ("loss-given default" or LGD).

  The valuation of performing receivables involves asset portfolios not presenting objective losses. The valuation implemented tends, therefore, to measure losses already sustained at reporting date but not yet manifest, due to the normal delay between the deterioration of the customer's financial position and its classification among the non-performing 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) Property, plant and equipment
"Assets for functional use" 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 usable for more than one period.

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

Property, plant and equipment is 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 acknowledgment, the instrumental property, plant and equipment is recognised 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 property, plant and equipment.

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 made, is defined as:
• the time period 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 asset.

If there is objective evidence that an asset has been impaired, the book value of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Potential value adjustments are reported in the item “net value adjustments/write-backs on property, plant and equipment” in the Income Statement.

If the value of a previously impaired asset is restored, its increased book value cannot exceed the net book value it would have had if there had been no losses recognized in the previous year’s impairment.

Property, plant and equipment is eliminated from the Statement of Financial Position at the moment of disposal 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 “Gains (losses) on disposals 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 cost of the asset 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.

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

If there is objective evidence that an asset has been impaired, the book value of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Possible value adjustments are entered in the Income Statement under the Item “costs for disposal of assets”.

# Part A - Accounting Policies (Continued)

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased book value cannot exceed the net book value it would have had if there were no losses recognized in the previous year's impairment.

An intangible asset is eliminated from the Statement of Financial Position at the moment of disposal 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 "Gains on disposal of investments".

### 4) Payables and debt securities in issue

Payables and subordinated issued liabilities are initially recorded at fair-value, which generally corresponds to the consideration received, net of transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised 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 implemented prepayment.

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

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

### 5) Hedge Accounting

Hedging aims to neutralize 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 financial statement on the asset side under item "70 Hedging derivatives" and on the liability side under item "50 Hedging derivatives".

For macro hedging, the value of the financial assets is recorded in the balance-sheet under item 80 "Changes in fair value of macro-hedged financial assets" and the financial liabilities under item 60 "Changes in fair value of macro-hedged financial liabilities". Positive adjustment cannot 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 evaluate the effectiveness of the hedging instrument in offsetting exposure to fair-value changes pertaining to the factor covered;
- hedging is expected to be highly effective;
- hedging effectiveness can be reliably assessed;
- 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 hedging is verified during start-up by performing the prospective test and, when the annual financial statements are drafted, with the retrospective test; the outcome of the latter justifies the application of hedge accounting in as much 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 such 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 pension fund reform pursuant to Legislative Decree nr. 252 of 5 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 Pension Scheme) 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 pensions, 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. Interest accrued in the year (interest cost) on the obligation already existing at the date of the reform and the accrued installments for the year paid into the supplementary pension fund or to the Treasury fund of INPS are recognized in the item Severance Pay.

The introduction, with start-up as from 1 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 Statement of Financial Position 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 Provisions 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.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. Whenever, as a result of the review, sustaining the burden becomes potential or remote, the provision is written off.

Provisions are only used for expenses for which they were originally recognized.

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 recognized 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 deferred tax asset is recognized 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.

Deferred 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 Parent Company's share capital. The foregoing payments comprise the assignment of:
a) rights to subscribe share capital increases against payment (known as Stock Options);
b) rights to receive shares on achieving quantitative/qualitative objectives (performance shares);
c) shares subject to unavailability clauses (restricted shares).

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made on the fair value of the instruments themselves, measured at the date of the allocation.

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.

# Part A - Accounting Policies (Continued)

**10) Revenue**
Revenue is measured at the fair-value of the consideration received or receivable and is recognized in the accounts whenever it can be reliably estimated. 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 reliably measured;
- the Company is likely to profit from the financial benefits associated with the transaction;
- the transaction's completion can be reliably measured at reporting date;
- any costs incurred for the transaction and those to be sustained for its completion can be reliably measured.

Revenue is recognized 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-collectible amount, or the value whose recovery is no longer probable, is recognized as a cost rather than an adjustment to the revenue originally recorded.

**11) Foreign currency transactions**
A foreign currency transaction is recognized at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are converted at the closing exhange rate 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 gains (losses) on trading".

**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 1 July 2014, are recorded under the item "other liabilities - length-of-service bonuses", based on the assessment at reporting 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 - Disclosure on transfers between portfolios of financial assets

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

## A.4 - Disclosure on fair value

**Qualitative information**
This section presents a disclosure on fair value as required by IFRS13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the main market at the measurement date (i.e. an exit price).

**A.4.1 Fair value levels 2 and 3: valuation and input techniques employed**
The only assets or liabilities valued at fair value on recurring or non-recurring bases held by the Company are hedge derivatives (Interest Rate Swaps).

With respect to these 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. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". The fair value of the contract is given by the sum of the present values of future cash flow.

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 processes and sensitivity of fair value measurements
The Company does not have assets or liabilities measured at fair value on a level 3 recurring on non-recurring basis for which the information is requested.

### A.4.3 Fair value hierarchy
The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.
The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used. A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.

In particular, three levels are considered:
- level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets;
- level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets;
- level 3: fair value for instruments classified within this level is determined according to the valuation models which prevalently use significant unobservable input on active market.

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

**Level 1 (quoted prices in active market):** quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the entity has the ability to access at the measurement date. An active market is a market in which orderly transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an on-going basis.

**Level 2 (observable inputs):** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are observable if they are developed on the basis of publicly available information about actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

**Level 3 (unobservable inputs):** inputs other than the ones included in level 1 and level 2, not directly observable on the market for the evaluation of asset and liability, or used for the definition of significant adjustments to fair value. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

When Fair Value is measured directly taking into consideration an observable price and quoted on an active market, the hierarchy attribution process will assign Level 1. When Fair Value has to be measured either via Comparable approach or via Mark-to-Model approach, the hierarchy attribution process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

## QUANTITATIVE INFORMATION

**TABLE A.4.5.1**
**Financial assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels** (€ '000)

| ASSETS AND LIABILITIES MEASURED AT FAIR VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| 1. Financial assets held for trading | - | - | - | - |
| 2. Financial assets at fair value through profit or loss | | - | - | - |
| 3. Available-for-sale financial assets | - | - | 2,216 | 2,216 |
| 4. Hedging derivatives | - | 1,277 | - | 1,277 |
| **Total assets** | **-** | **1,277** | **2,216** | **3,493** |
| 1. Financial liabilities held for Trading | - | - | - | - |
| 2. Financial liabilities at fair value | - | - | - | - |
| 3. Hedging derivatives | - | 7,914 | - | 7,914 |
| **Total liabilities** | **-** | **7,914** | **-** | **7,914** |

# Part A - Accounting Policies (Continued)

**TABLE A.4.5.2**
**Annual changes of fair value assets on a reoccurring basis (level 3)**

(€ '000)

| | FINANCIAL ASSETS HELD FOR TRADING | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | AVAILABLE-FOR-SALE FINANCIAL ASSETS | HEDGING DERIVATIVES | PROPERTY, PLANT AND EQUIPMENT | INTANGIBLE ASSETS |
|---|---|---|---|---|---|---|
| **1. Opening balance** | **-** | **-** | **2,740** | **-** | **-** | **-** |
| **2. Increases** | **-** | **-** | **153** | **-** | **-** | **-** |
| 2.1 Purchases | - | - | 153 | - | - | - |
| 2.2 Profits recognized in: | - | - | - | - | - | - |
| 2.2.1 Income Statement | - | - | - | - | - | - |
| *of which: Capital gain* | - | - | - | - | - | - |
| 2.2.2 Equity | - | - | - | - | - | - |
| 2.3 Transfers from other portfolios | - | - | - | - | - | - |
| 2.4 Other increases | - | - | - | - | - | - |
| **3. Decreases** | **-** | **-** | **676** | **-** | **-** | **-** |
| 3.1 Sales | - | - | - | - | - | - |
| 3.2 Redemptions | - | - | 95 | - | - | - |
| 3.3 Losses recognized in: | - | - | - | - | - | - |
| 3.3.1 Income Statement | - | - | 581 | - | - | - |
| *of which: Capital loss* | - | - | - | - | - | - |
| 3.3.2 Equity | - | - | - | - | - | - |
| 3.4 Transfers from other portfolios | - | - | | - | - | - |
| 3.5 Other decreases | - | - | - | - | - | - |
| **4. Closing balances** | **-** | **-** | **2,217** | **-** | **-** | **-** |

**TABLE A.4.5.4**
**Financial assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis**

(€ '000)

| FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS | 12.31.2017 | | | | 12.31.2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Financial assets held-to-maturity | - | - | - | - | - | - | - | - |
| 2. Receivables | 10,395,089 | - | - | 10,398,899 | 9,295,814 | - | - | 9,303,676 |
| 3. Property, plant and equipment held for investment | - | - | - | - | - | - | - | - |
| 4. Non-current assets and disposal groups | - | - | - | - | - | - | - | - |
| **Total** | **10,395,089** | **-** | **-** | **10,398,899** | **9,295,814** | **-** | **-** | **9,303,676** |
| 1. Payables | 9,208,125 | - | - | 9,208,125 | 8,307,982 | - | - | 8,307,982 |
| 2. Debt securities in issue | - | - | - | - | 77,065 | - | - | 76,338 |
| 3. Liabilities included in disposal groups classified as held for sale | - | - | - | - | - | - | - | - |
| **Total** | **9,208,125** | **-** | **-** | **9,208,125** | **8,385,047** | **-** | **-** | **8,384,320** |

The fair value of on demand or short term receivables and payables is assumed to be equal to the balance-sheet value.

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

# A.5 Day one profit and loss

The Company does not carry out any transactions that involve the registration of day one profit/loss.

# Part B - Information on the Statement of Financial Position


**Assets**

| | | |
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**Liabilities**

| | | |
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# Part B - Information on the Statement of Financial Position

## Assets

### Section 1 - Cash and cash equivalents - Item 10

**Breakdown of item 10 "Cash and cash equivalents"**

(€ '000)

| ITEMS/VALUES | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 1.1 Cash and revenue stamps | - | 1 |
| **Total** | **-** | **1** |

### Section 4 - Available-for-sale financial assets - Item 40

**4.1 Breakdown of item 40 "Available-for-sale financial assets"**

(€ '000)

| | 12.31.2017 | | | 12.31.2016 | | |
|---|---|---|---|---|---|---|
| ITEMS/VALUES | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| 1. Debt securities | - | - | - | - | - | - |
| - structured securities | - | - | - | - | - | - |
| - other debt securities | - | - | - | - | - | - |
| 2. Equity securities and shares of UCIs * | - | - | | - | - | - |
| 3. Loans ** | - | - | 2,217 | - | - | 2,740 |
| **Total** | **-** | **-** | **2,217** | **-** | **-** | **2,740** |

* The Company has a number of 20 shares issued by Unicredit Business Integrated Solutions ScpA for Euro 173 unlisted and measured at cost in the portfolio.
** The loan item includes associations with cinematographic Companies for an amount of €2,217.

**4.2 Available-for-sale financial assets: breakdown by borrower/issuer**

(€ '000)

| ITEMS/VALUES | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **Financial assets** | **2,217** | **2,740** |
| a) Governments and Central Banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Financial institutions | - | - |
| e) Other issuers | 2,217 | 2,740 |
| **Total** | **2,217** | **2,740** |

# Section 6 - Receivables - Item 60

## 6.1 “Receivables with banks”

(€ ‘000)

| | 12.31.2017 | | | | 12.31.2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | BOOK | FAIR VALUE | | | BOOK | FAIR VALUE | | |
| BREAKDOWN | VALUE | L1 | L2 | L3 | VALUE | L1 | L2 | L3 |
| **1. Deposits and current accounts** | **10,897** | **-** | **-** | **10,897** | **28,208** | **-** | **-** | **28,208** |
| **2. Loans** | **254,204** | **-** | **-** | **254,204** | **131,441** | **-** | **-** | **131,441** |
| 2.1 Reverse repos | - | - | - | - | - | - | - | - |
| 2.2 Finance leases | - | - | - | - | - | - | - | - |
| 2.3 Factoring | 254,204 | - | - | 254,204 | 131,441 | - | - | 131,441 |
| - with recourse | 243,444 | - | - | 243,444 | 114,599 | - | - | 114,599 |
| - without recourse | 10,760 | - | - | 10,760 | 16,842 | - | - | 16,842 |
| 2.4 other loans | - | - | - | - | - | - | - | - |
| **3. Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Structured securities | - | - | - | - | - | - | - | - |
| - Other debt securities | - | - | - | - | - | - | - | - |
| **4. Other assets *** | **4,917** | **-** | **-** | **4,917** | **5,805** | **-** | **-** | **5,805** |
| **Total carrying amount** | **270,018** | **-** | **-** | **270,018** | **165,454** | **-** | **-** | **165,454** |

The fair value of on demand or short term receivables is assumed to be equal to the balance-sheet value.
* Item includes receivables from participating banks in the operation of in pool factoring.
L1 = level 1
L2 = level 2
L3 = level 3

## 6.2 “Receivables with banks”

(€ ‘000)

| | 12.31.2017 | | | | | | 12.31.2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BOOK VALUE | | | FAIR VALUE | | | BOOK VALUE | | | FAIR VALUE | | |
| | | NON-PERFORMING | | | | | | NON-PERFORMING | | | | |
| BREAKDOWN | PERFORMING | OTHER PURCHASED | OTHERS | L1 | L2 | L3 | PERFORMING | OTHER PURCHASED | OTHERS | L1 | L2 | L3 |
| **1. Loans** | **647,963** | **-** | **18** | **-** | **-** | **647,981** | **651,458** | **-** | **26** | **-** | **-** | **651,484** |
| 1.1 Reverse repos | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Finance leases | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.3 Factoring | 644,732 | - | 18 | - | - | 644,750 | 651,458 | - | 26 | - | - | 651,484 |
| - with recourse | 636,287 | - | - | - | - | 636,287 | 648,292 | - | - | - | - | 648,292 |
| - without recourse | 8,445 | - | 18 | - | - | 8,463 | 3,166 | - | 26 | - | - | 3,192 |
| 1.4 Other loans | 3,231 | - | - | - | - | - | - | - | - | - | - | - |
| **2. Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - structured securities | - | - | - | - | - | - | - | - | - | - | - | - |
| - other debt securities | - | - | - | - | - | - | - | - | - | - | - | - |
| **3. Other assets *** | **215** | **-** | **-** | **-** | **-** | **215** | **241** | **-** | **-** | **-** | **-** | **241** |
| **Total carrying amount** | **648,178** | **-** | **18** | **-** | **-** | **648,196** | **651,699** | **-** | **26** | **-** | **-** | **651,725** |

The fair value of on demand or short term receivables is assumed to be equal to the balance-sheet value.
* Item includes receivables from participating financial institutions in the operation of in pool factoring.

# Part B - Information on the Statement of Financial Position - Assets (Continued)

## 6.3 "Receivables with customers"

(€ '000)

| | 12.31.2017 | | | | | | 12.31.2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BOOK VALUE | | | FAIR VALUE | | | BOOK VALUE | | | FAIR VALUE | | |
| | | NON-PERFORMING | | | | | | NON-PERFORMING | | | | |
| BREAKDOWN | PERFORMING | OTHER PURCHASED | OTHERS | L1 | L2 | L3 | PERFORMING | OTHER PURCHASED | OTHERS | L1 | L2 | L3 |
| **1. Loans** | **9,269,661** | **-** | **207,213** | **-** | **-** | **9,480,685** | **8,194,302** | **-** | **284,333** | **-** | **-** | **8,486,497** |
| 1.1 Finance leases | - | - | - | - | - | - | - | - | - | - | - | - |
| Of which: without final option purchase | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Factoring | 7,777,604 | - | 201,755 | - | - | 7,983,170 | 6,908,622 | - | 280,539 | - | - | 7,197,023 |
| - recourse | 3,421,414 | - | 141,619 | - | - | 3,563,034 | 2,882,142 | - | 221,736 | - | - | 3,103,878 |
| - non recourse | 4,356,190 | - | 60,136 | - | - | 4,420,136 | 4,026,480 | - | 58,803 | - | - | 4,093,145 |
| 1.3 Consumer credit (including revolving cards) | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.4 Credit cards | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.5 Pledge loans | | | | | | | | | | | | |
| 1.6 Loans granted in relation to payment services | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.7 Other loans* | 1,492,057 | - | 5,458 | - | - | 1,497,515 | 1,285,680 | - | 3,794 | - | - | 1,289,474 |
| Of which: from enforcement of guarantees and commitments | | - | | - | - | | | - | | - | - | |
| **2. Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - structured securities | - | - | - | - | - | - | - | - | - | - | - | - |
| - other debt securities | - | - | - | - | - | - | - | - | - | - | - | - |
| **3. Other assets** | **1** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total carrying amount** | **9,269,662** | **-** | **207,213** | **-** | **-** | **9,480,685** | **8,194,302** | **-** | **284,333** | **-** | **-** | **8,486,497** |

The fair value of on demand or short term receivables is assumed to be equal to the balance-sheet value.

* The other loans are made up of invoices issued for loans with borrowers who have been granted deferred payment terms, loans to debtors on transactions that provide for payment on maturity and credit transfers not included in Law 52/91 on Factoring, in particular for the purchase of tax credits.
L1 = level 1
L2 = level 2
L3 = level 3

## 6.4 "Receivables": guaranteed assets

(€ '000)

| | 12.31.2017 | | | | | |
|---|---|---|---|---|---|---|
| | RECEIVABLES FROM BANKS | | RECEIVABLES FROM FINANCIAL INSTITUTIONS | | RECEIVABLES WITH CUSTOMERS | |
| BREAKDOWN OF GUARANTEED | VE | VG | VE | VG | VE | VG |
| **1. Performing assets guaranteed by:** | **243,444** | **243,444** | **636,287** | **636,287** | **3,422,583** | **3,422,583** |
| - Assets held under finance lease | - | - | - | - | - | - |
| - Receivables for factoring * | 243,444 | 243,444 | 636,287 | 636,287 | 3,421,414 | 3,421,414 |
| - Mortgages | - | - | - | - | - | - |
| - Collateral | - | - | - | - | - | - |
| - Personal guarantees | - | - | | | 1,169 | 1,169 |
| - Credit derivatives | - | - | - | - | - | - |
| **2. Non-performing assets guaranteed by:** | **-** | **-** | **-** | **-** | **141,619** | **141,619** |
| - Assets held under finance lease | - | - | - | - | - | - |
| - Receivables for factoring * | - | - | - | - | 141,619 | 141,619 |
| - Mortgages | - | - | - | - | - | - |
| - Collateral | - | - | - | - | - | - |
| - Personal guarantees | - | - | - | - | - | - |
| - Credit derivatives | - | - | - | - | - | - |
| **Total** | **243,444** | **243,444** | **636,287** | **636,287** | **3,564,202** | **3,564,202** |

| BREAKDOWN OF GUARANTEED | 12.31.2016 | | | | | |
|---|---|---|---|---|---|---|
| | RECEIVABLES FROM BANKS | | RECEIVABLES FROM FINANCIAL INSTITUTIONS | | RECEIVABLES WITH CUSTOMERS | |
| | VE | VG | VE | VG | VE | VG |
| **1. Performing assets guaranteed by:** | **114,599** | **114,599** | **648,292** | **648,292** | **2,882,564** | **2,882,564** |
| - Assets held under finance lease | - | - | - | - | - | - |
| - Receivables for factoring * | 114,599 | 114,599 | 648,292 | 648,292 | 2,882,142 | 2,882,142 |
| - Mortgages | - | - | - | - | - | - |
| - Collateral | - | - | - | - | - | - |
| - Personal guarantees | - | - | | | 422 | 422 |
| - Credit derivatives | - | - | - | - | - | - |
| **2. Non-performing assets guaranteed by:** | **-** | **-** | **-** | **-** | **221,736** | **221,736** |
| - Assets held under finance lease | - | - | - | - | - | - |
| - Receivables for factoring * | - | - | - | - | 221,736 | 221,736 |
| - Mortgages | - | - | - | - | - | - |
| - Collateral | - | - | - | - | - | - |
| - Personal guarantees | - | - | - | - | - | - |
| - Credit derivatives | - | - | - | - | - | - |
| **Total** | **114,599** | **114,599** | **648,292** | **648,292** | **3,104,300** | **3,104,300** |

VE = book value of exposures
VG = fair value of guarantees
* Guaranteed factoring receivables include advances on recourse transactions and non-recourse receivables backed by guarantees. The value of guarantees for recourse transactions is equal to total receivables up to the advance amount.

# Section 7 - Hedging derivatives - Item 70

## 7.1 Breakdown of item 70 “Hedging derivatives”

(€ ‘000)

| NOTIONAL VALUE/FAIR VALUE LEVELS | 12.31.2017 | | | | 12.31.2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | FAIR VALUE | | | | FAIR VALUE | | | |
| | L1 | L2 | L3 | NV | L1 | L2 | L3 | NV |
| A. Financial derivatives | - | 1,277 | - | 149,315 | - | 455 | - | 88,406 |
| 1. Fair value | - | 1,277 | | 149,315 | - | 455 | | 88,406 |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| 3. Foreign investments | - | - | - | - | - | - | - | - |
| **Total A** | **-** | **1,277** | **-** | **149,315** | **-** | **455** | **-** | **88,406** |
| B. Credit Derivatives | - | - | - | - | - | - | - | - |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **Total B** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **-** | **1,277** | **-** | **149,315** | **-** | **455** | **-** | **88,406** |

## 7.2 Breakdown of item 70 “Hedging derivatives” hedging portfolios and type of hedging

(€ ‘000)

| TRANSACTIONS/TYPE OF HEDGES | FAIR VALUE | | | | | | CASH FLOWS | | FOREIGN INVESTMENTS |
|---|---|---|---|---|---|---|---|---|---|
| | MICRO-HEDGE | | | | | | | | |
| | INTEREST RATE RISK | CURRENCY RISK | CREDIT RISK | PRICE RISK | MULTIPLE RISKS | MACRO-HEDGE | MICRO-HEDGE | MACRO-HEDGE | |
| 1. Available-for-sale financial assets | - | - | - | - | - | - | - | - | - |
| 2. Receivables | | - | - | - | | - | - | - | - |
| 3. Financial assets held to maturity | - | - | - | - | - | - | - | - | - |
| 4. Portfolio | - | - | - | - | - | 1,277 | - | - | - |
| 5. Other transactions | - | - | - | - | - | - | - | - | - |
| **Total assets** | **-** | **-** | **-** | **-** | **-** | **1,277** | **-** | **-** | **-** |
| 1. Financial liabilities | - | - | - | - | - | - | - | - | - |
| 2. Portfolio | - | - | - | - | - | - | - | - | - |
| **Total liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | | | |
| 1. Expected transactions | - | - | - | - | - | - | - | - | - |
| 2. Financial assets and liabilities portfolio | - | - | - | - | - | - | - | - | - |

# Part B - Information on the Statement of Financial Position - Assets (Continued)

## Section 8 - Changes in fair value of macro-hedged financial assets - Item 80

### 8.1 Breakdown of item 80 "Changes in fair value of macro-hedged financial assets"

(€ '000)

| CHANGES TO MACRO-HEDGED FINANCIAL ASSETS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **1. Positive changes** | **3,810** | **7,862** |
| 1.1 of specific portfolios: | 3,810 | 7,862 |
| a) receivables | 3,810 | 7,862 |
| b) available-for-sale financial assets | - | - |
| 1.2 overall | - | - |
| **2. Negative changes** | **-** | **-** |
| 2.1 of specific portfolios: | - | - |
| a) receivables | - | - |
| b) available-for-sale financial assets | - | - |
| 2.2 overall | - | - |
| **Total** | **3,810** | **7,862** |

## Section 10 - Property, plant and equipment - Item 100

### 10.1 Property, plant and equipment assets used in the business - breakdown of assets carried at cost

(€ '000)

| ITEMS/VALUATION | 12.31.2017 ASSETS CARRIED AT COST | 12.31.2016 ASSETS CARRIED AT COST |
|---|---|---|
| **1. Owned assets** | **1** | **3** |
| a) land | - | - |
| b) buildings | - | - |
| c) office furniture and fitting | 1 | 3 |
| d) electronic systems | - | - |
| e) others | - | - |
| **2. Assets acquired by lease** | **-** | **-** |
| a) land | - | - |
| b) buildings | - | - |
| c) office furniture and fitting | - | - |
| d) electronic systems | - | - |
| e) others | - | - |
| **Total** | **1** | **3** |

### 10.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

The Company does not hold this category of property, plant and equipment assets.

### 10.3 Property, plant and equipment assets used in the business: breakdown of assets measured as revalued

The Company does not hold this category of property, plant and equipment assets.

### 10.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

The Company does not hold this category of property, plant and equipment assets.

## 10.5 Property, plant and equipment: annual change

(€ ‘000)

| | LAND | BUILDINGS | OFFICE FURNITURE AND FITTINGS | ELECTRONIC SYSTEMS | OTHERS | TOTAL |
|---|---|---|---|---|---|---|
| **A. Gross opening balance** | **-** | **-** | **3** | | **-** | **3** |
| A.1 Purchases | - | - | - | - | - | - |
| **A.2 Net opening balance** | **-** | **-** | **3** | **-** | **-** | **3** |
| **B. Increases** | **-** | **-** | **-** | **-** | **-** | **-** |
| B.1 Purchases | - | - | - | - | - | - |
| B.2 Capitalised expenditure on improvements | - | - | - | - | - | - |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Increases in fair value through: | - | - | - | - | - | - |
| a) shareholders’ equity | - | - | - | - | - | - |
| b) through profit or loss | - | - | - | - | - | - |
| B.5 Positive Exchange differences | - | - | - | - | - | - |
| B.6 Transfer from properties held for investment | - | - | - | - | - | - |
| B.7 Other changes | - | - | | - | - | 0 |
| **C. Reductions** | **-** | **-** | **(2)** | **-** | **-** | **(2)** |
| C.1 Disposals | - | - | - | - | - | - |
| C.2 Depreciation | - | - | (2) | | - | (2) |
| C.3 Write-downs due to impairment recognised in: | - | - | - | | - | 0 |
| a) shareholders’ equity | - | - | - | - | - | - |
| b) through profit or loss | - | - | - | | - | 0 |
| C.4 Reduction of fair value: | - | - | - | - | - | - |
| a) shareholders’ equity | - | - | - | - | - | - |
| b) through profit or loss | - | - | - | - | - | - |
| C.5 Negative exchange differences | - | - | - | - | - | - |
| C.6 Transfers to: | - | - | - | - | - | - |
| a) property, plant and equipment held for investment | - | - | - | - | - | - |
| b) assets held for sale | - | - | - | - | - | - |
| C.7 Other changes | - | - | - | - | - | - |
| **D. Net closing Balance** | **-** | **-** | **1** | **-** | **-** | **1** |
| D.1 Total net write-downs | - | - | - | - | - | - |
| **D. Gross closing balance** | **-** | **-** | **1** | **-** | **-** | **1** |
| **E. Carried at cost** | **-** | **-** | **1** | **-** | **-** | **1** |

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

## 10.6 Property, plant and equipment held for investment: annual changes

The Company does not hold this category of property, plant and equipment assets.

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

The Company does not have any commitments to purchase tangible assets.

# Part B - Information on the Statement of Financial Position - Assets (Continued)

## Section 11 - Intangible assets - Item 110

### 11.1 Breakdown of item 110 "Hedging derivatives"

(€ '000)

| ITEMS/VALUATION | 12.31.2017 | | 12.31.2016 | |
|---|---|---|---|---|
| | ASSETS CARRIED AT COST | ASSETS AT FAIR VALUE OR REVALUED THROUGH PROFIT AND LOSS | ASSETS CARRIED AT COST | ASSETS AT FAIR VALUE OR REVALUED THROUGH PROFIT AND LOSS |
| 1. Goodwill | - | - | - | - |
| 2. Other intangible assets | - | - | - | - |
| 2.1 owned | 7 | - | 76 | - |
| - generated internally | - | - | - | - |
| - other | 7 | - | 76 | - |
| 2.2 purchased under lease | | | | |
| Total 2 | 7 | - | 76 | - |
| 3. Assets under finance lease | - | - | - | - |
| 3.1 unexercised property | - | - | - | - |
| 3.2 property withdrawn following resolution | - | - | - | - |
| 3.3 other property | - | - | - | - |
| Total 3 | - | - | - | - |
| 4. Assets granted under operating lease | - | - | - | - |
| Total (1+2+3+4) | 7 | - | 76 | - |
| Total | 7 | - | 76 | - |

### 11.2 "Intangible assets": annual change

(€ '000)

| | TOTAL |
|---|---|
| A. Opening balances | 76 |
| B. Increases | - |
| B.1 Purchases | - |
| B.2 Write-backs | - |
| B.3 Increases in fair value: | - |
| a) shareholders' equity | - |
| b) through profit or loss | - |
| B.4 Other changes | - |
| C. Reductions | (69) |
| C.1 Disposals | - |
| C.2 Depreciation | (69) |
| C.3 Write-downs: | 0 |
| a) shareholders' equity | - |
| b) through profit or loss | 0 |
| C.4 Negative changes in fair value: | - |
| a) shareholders' equity | - |
| b) through profit or loss | - |
| C.5 Other changes | - |
| D. Closing balance | 7 |

## Section 12 - Tax assets and tax liabilities - (Item 120 assets and Item 70 liabilities)

### 12.1 Breakdown of item 120 "Tax assets": current and deferred"

(€ '000)

| TAX ASSETS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| a) current * | - | - |
| b) deferred | 51,258 | 48,846 |
| **Total** | **51,258** | **48,846** |

### 12.2 Breakdown of item 70 "Tax assets": current and deferred"

(€ '000)

| TAX LIABILITIES | 12.31.2017 | 12.31.2016 |
|---|---|---|
| a) current * | 22,982 | 979 |
| b) deferred | - | - |
| **Total** | **22,982** | **979** |

* UniCredit Factoring S.p.A. abides by the tax consolidation of the Unicredit Group. The current tax liabilities items are offset by the current tax receivables pursuant to IAS 12.

### 12.3 Deferred tax assets: annual changes (balancing P&L)

(€ '000)

| | CHANGES IN | |
|---|---|---|
| ITEMS | 2017 | 2016 |
| **1. Opening balance** | **48,676** | **44,377** |
| **2. Increases** | **7,909** | **9,182** |
| 2.1 Deferred tax assets arising during the year | 7,909 | 9,182 |
| a) relating to previous years | 25 | 3,702 |
| b) due to change in accounting policies | - | - |
| c) write-backs | - | - |
| d) other | 7,884 | 5,480 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 0 | - |
| **3. Decreases** | **(5,460)** | **(4,883)** |
| 3.1 Deferred tax assets derecognised during the year | (5,460) | (4,883) |
| a) reversals of temporary differences | (5,460) | (4,668) |
| b) write-downs of non-recoverable items | - | - |
| c) due to change in accounting policies | - | - |
| d) other | | (215) |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | 0 |
| a) transformation in tax credits of which Law No. 214/2011 | - | 0 |
| b) other | | |
| **4. Final amount** | **51,125** | **48,676** |

### 12.3.1 Deferred tax assets of which L. 214/2011 annual changes (balancing P&L)

(€ '000)

| | CHANGES IN | |
|---|---|---|
| ITEMS | 2017 | 2016 |
| **1. Opening amount** | **40,960** | **37,276** |
| **2. Increases** | | **5,945** |
| **3. Decreases** | **(3,446)** | **(2,261)** |
| 3.1 reversals | (3,446) | (2,261) |
| 3.2 Transformations into tax credits | - | - |
| a) arising from losses for the period | - | - |
| b) arising from tax losses | - | - |
| 3.3 Other decreases | - | 0 |
| **4. Final amount** | **37,514** | **40,960** |

The table increase considers the balancing of the reduction in deferred tax assets to net equity.

# Part B - Information on the Statement of Financial Position - Assets (Continued)

## 12.4 Deferred tax assets: annual changes (balancing P&L)

(€ '000)

| ITEMS | CHANGES IN 2017 | 2016 |
|---|---|---|
| **1. Opening balance** | **(129)** | **(128)** |
| **2. Increases** | **-** | **-** |
| 2.1 Deferred tax liabilities arising during the year | - | - |
| a) relating to previous years | - | - |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | | |
| **3. Decreases** | **-** | **(1)** |
| 3.1 Deferred tax liabilities derecognised during the year | - | (1) |
| a) reversals of temporary differences | | (1) |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Final amount** | **(129)** | **(129)** |

## 12.5 Deferred tax assets: annual changes (balancing shareholders' equity)

(€ '000)

| ITEMS | CHANGES IN 2017 | 2016 |
|---|---|---|
| **1. Opening balance** | **170** | **3,619** |
| **2. Increases** | **-** | **253** |
| 2.1 Deferred tax assets arising during the year | - | 215 |
| a) relating to previous years | | 215 |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | | 38 |
| **3. Decreases** | **(37)** | **(3,702)** |
| 3.1 Deferred tax assets derecognised during the year | (37) | (3,702) |
| a) reversals of temporary differences | (37) | |
| b) write-downs of non-recoverable items | - | 0 |
| c) due to change in accounting policies | - | 0 |
| d) other | | (3,702) |
| 3.2 Reduction in tax rates | - | 0 |
| 3.3 Other decreases | | |
| **4. Final amount** | **133** | **170** |

### 12.6 Deferred tax assets: annual changes (balancing shareholders' equity)

(€ '000)

| ITEMS | CHANGES IN 2017 | CHANGES IN 2016 |
|---|---|---|
| **1. Opening balance** | **129** | **129** |
| **2. Increases** | **-** | **-** |
| 2.1 Deferred tax liabilities arising during the year | - | - |
| a) relating to previous years | - | - |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **-** | **0** |
| 3.1 Deferred tax liabilities derecognised during the year | - | - |
| a) reversals of temporary differences | - | - |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | | |
| **4. Final amount** | **129** | **129** |

## Section 14 - Other assets - Item 140

### 14.1 Breakdown of item 140 "Other assets"

(€ '000)

| ITEMS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| Effects credited to customers awaiting bank collection * | 8,222 | 7,928 |
| Receivables from the Treasury | 827 | 1,651 |
| Security deposits | 114 | 132 |
| Receivables with insurance companies for expected compensation | 207 | 122 |
| Transitory items | 798 | 492 |
| Improvements to third party property | 12 | 19 |
| Tax credit IRES ** | 1,876 | 481 |
| Items deemed definitive not attributable to other items | 30,377 | - |
| Others *** | 1,110 | 620 |
| **Total** | **43,543** | **11,445** |

* Assets deriving from credit subject to collection to customers of the effects of awaiting bank settlement.
** Benefit for reimbursement applications submitted pursuant to Art. 2, paragraph 1, of Decree Law No. 201 of 6 December 2011) relating to the recovery via IRES income tax of IRAP corporate tax paid for labour costs.
*** Item includes invoiced amounts of other Group companies.

# Part B - Information on the Statement of Financial Position

## Liabilities

### Section 1 - Liabilities- Item 10

**1.1 Payables**

(€ '000)

| ITEMS | 12.31.2017 WITH BANKS | 12.31.2017 WITH FINANCIAL INSTITUTIONS | 12.31.2017 WITH CUSTOMERS | 12.31.2016 WITH BANKS | 12.31.2016 WITH FINANCIAL INSTITUTIONS | 12.31.2016 WITH CUSTOMERS |
|---|---|---|---|---|---|---|
| 1. Loans | 9,047,048 | - | - | 8,116,448 | - | - |
| 1.1 Reverse repos | - | - | - | - | - | - |
| 1.2 Other loans | 9,047,048 | - | - | 8,116,448 | - | - |
| 2. Other liabilities | - | 5,988 | 155,089 | - | 6,181 | 185,353 |
| **Total** | **9,047,048** | **5,988** | **155,089** | **8,116,448** | **6,181** | **185,353** |
| **Fair Value - level 1** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Fair Value - level 2** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Fair Value - level 3** | **9,047,048** | **5,988** | **155,089** | **8,116,448** | **6,181** | **185,353** |
| **Total FAIR VALUE** | **9,047,048** | **5,988** | **155,089** | **8,116,448** | **6,181** | **185,353** |

The fair value of on demand or short term payables is assumed to be equal to the balance-sheet value.

Payables from banks are mostly made up of the provision put in place by the Parent Company. This item includes loans received for participation in pool transactions with UniCredit S.p.A.
Payables to customers ("Other payables") mainly represent the difference between the total receivables and the portion of amounts already paid in advance to the assignors in relation to transactions without recourse, amounting to Euro 135,941 and the debt exposure to customers, equal to Euro 19,148.

### Section 2 - Securities in issue - Item 20

**2.1 Breakdown of item 20 "Securities in issue"**

(€ '000)

| LIABILITIES | 12.31.2017 BOOK VALUE | 12.31.2017 FAIR VALUE L1 | 12.31.2017 FAIR VALUE L2 | 12.31.2017 FAIR VALUE L3 | 12.31.2016 BOOK VALUE | 12.31.2016 FAIR VALUE L1 | 12.31.2016 FAIR VALUE L2 | 12.31.2016 FAIR VALUE L3 |
|---|---|---|---|---|---|---|---|---|
| **1. Securities** | **-** | **-** | **-** | **-** | **77,065** | **-** | **-** | **76,338** |
| - bonds | - | - | - | - | 77,065 | - | - | 76,338 |
| - structured | - | - | - | - | - | - | - | - |
| - other | - | - | - | - | 77,065 | - | - | 76,338 |
| - Other securities | - | - | - | - | - | - | - | - |
| - structured | - | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **77,065** | **-** | **-** | **76,338** |

L1 = Level 1
L2 = Level 2
L3 = Level 3
Debt securities in issue at the end of 2016 were redeemed in the course of 2017.

# Section 5 - Hedging derivatives - Item 50

## 5.1 Breakdown of item 50 "Hedging derivatives"

(€ '000)

| | 12.31.2017 | | | | 12.31.2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | FAIR VALUE | | | | FAIR VALUE | | | |
| NOTIONAL VALUE/FAIR VALUE LEVELS | L1 | L2 | L3 | NV | L1 | L2 | L3 | NV |
| A. Financial derivatives | - | 7,914 | - | 619,117 | - | 10,525 | - | 923,051 |
| 1. Fair value | - | 7,914 | | 619,117 | - | 10,525 | | 923,051 |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| 3. Foreign investments | - | - | - | - | - | - | - | - |
| **Total A** | **-** | **7,914** | **-** | **619,117** | **-** | **10,525** | **-** | **923,051** |
| B. Credit Derivatives | - | - | - | - | - | - | - | - |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **Total B** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **-** | **7,914** | **-** | **619,117** | **-** | **10,525** | **-** | **923,051** |

L 1 = Level 1
L 2 = Level 2
L 3 = Level 3
NV = notional value

## 5.2 Breakdown of item 50 "Hedging derivatives": hedging portfolios and type of hedging

(€ '000)

| | FAIR VALUE | | | | | | CASH FLOWS | | |
|---|---|---|---|---|---|---|---|---|---|
| | MICRO-HEDGE | | | | | | | | |
| TRANSACTIONS/TYPE OF HEDGES | INTEREST RATE RISK | CURRENCY RISK | CREDIT RISK | PRICE RISK | MULTIPLE RISKS | MACRO-HEDGE | MICRO-HEDGE | MACRO-HEDGE | FOREIGN INVESTMENTS |
| 1. Available-for-sale financial assets | - | - | - | - | - | - | - | - | - |
| 2. Receivables | | - | - | - | | | - | - | - |
| 3. Financial assets held to maturity | - | - | - | - | - | - | - | - | - |
| 4. Portfolio | - | - | - | - | - | | - | - | - |
| 5. Other transactions | - | - | - | - | - | - | - | - | - |
| **Total assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Financial liabilities | - | - | - | - | - | - | - | - | - |
| 2. Portfolio | - | - | - | - | - | 7,914 | - | - | - |
| **Total liabilities** | **-** | **-** | **-** | **-** | **-** | **7,914** | | | |
| 1. Expected transactions | - | - | - | - | - | - | - | - | - |
| 2. Financial assets and liabilities portfolio | - | - | - | - | - | - | - | - | - |

# Section 7 - Tax liabilities - Item 70

For this item see section 12 - Tax assets and tax liabilities.

# Part B - Information on the Statement of Financial Position - Liabilities (CONTINUED)

## Section 9 - Other liabilities - Item 90

### 9.1 Breakdown of item 90 "Other liabilities"

(€ '000)

| ITEMS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| Payables for Equity Settled Share Based Payments | 355 | 305 |
| Payables due to employees | 8,639 | 4,489 |
| Payables due to other staff | 938 | 632 |
| Payables due to Directors and Statutory Auditors | 241 | 245 |
| Available amounts to be paid to others* | 401,600 | 161,413 |
| Items in processing | - | - |
| Payables to suppliers | 2,616 | 2,895 |
| Other current liabilities | 37,608 | 15,262 |
| Other tax entries | 803 | 896 |
| Outstanding transitory items | 1,442 | 730 |
| **Total** | **454,242** | **186,867** |

* item includes collections from borrowers to relocate the related credit position.

## Section 10 - Provision for employee severance pay - Item 100

### 10.1 "Provision for employee severance pay": annual change

(€ '000)

| | CHANGES IN | |
|---|---|---|
| ITEMS | 2017 | 2016 |
| **A. Opening balance** | **3,455** | **3,490** |
| **B. Increases** | **42** | **288** |
| B.1 Provisions for the year | 42 | 60 |
| B.2 Other increases | - | 228 |
| **C. Reductions** | **(570)** | **(323)** |
| C.1 Severance payments | (399) | (241) |
| C.2 Other reductions | (171) | (82) |
| **D. Final balance** | **2,927** | **3,455** |

### 10.2 Other information

Provision for employee severance pay (TFR) is included in defined-benefit plans and is therefore calculated according to the actuarial method described in Accounting policies. Actuarial assumptions and the reconciliation of the present value of provisions to the liability entered in the statement of financial position are provided below.

| PRINCIPAL ACTUARIAL ASSUMPTIONS | 2017 | 2016 |
|---|---|---|
| Discount rate | 1.45% | 1.25% |
| Expected inflation rate | 1.40% | 1.10% |

(€ '000)

| RECONCILIATIONS OF PRESENT VALUES OF PROVISIONS TO PRESENT VALUE OF PLAN ASSETS AND TO ASSETS AND LIABILITIES RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION | 2017 | 2016 |
|---|---|---|
| Present value of defined benefit obligations - TFR | 2,927 | 3,455 |
| Unrecognised net actuarial loss/(gain) | - | - |
| Net liabilities | 2,927 | 3,455 |

The TFR provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. The determination of such benefits is implemented by an actuary external of the Group using the 'Unitary Credit Projection Method'.

Following the supplementary pension reform referred to in Legislative Decree 5 December 2005, No. 252, severance indemnities accrued up to 31 December 2006 remain in the company, while the share of employee severance indemnity accrued starting from 1 January 2007, chosen by the employee (exercised by 30 June 2007) for complementary pension funds or the INPS Treasury Fund.

It follows that:
the TFR amount accrued until 31 December 2006 (or until the employee's chosen date - between 01.01.2007 and 30.06.2007 - in the case of TFR allocation to a Complimentary Pension Fund) continues to be considered "Defined benefits" and therefore subject to actuarial valuation, albeit with a simplification in actuarial assumptions that no longer take into account forecasts on future salary increases.

The share accrued from 01.01.2007 (or until the employee's chosen date - between 01.01.2007 and 30.06.2007 - in the case of TFR allocation to a Complimentary Pension Fund) were considered as a "defined contribution" plan "(As the company's obligation ceases when the share of TRF accrues to the fund chosen by the employee) and therefore the relative cost pertaining to the period is equal to the amounts paid to the Complementary Pension or to the INPS Treasury Fund.

The costs relating to ESFs maturing during the year are registered in the Income Statement under item 110 a) "Payroll costs" and include interest accrued in the year (interest cost) on the obligation already existing at the date of the reform and the accrued installments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains (losses), i.e., the difference between the liabilities' carrying value and the present value of the obligation at the end of the period are recognised against Revaluation reserves.

A change of -25 basis points in the discount rate would result in an increase in liabilities of €68,557 (+2.34%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €66,824 (-2.28%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of €41,591 (-1.42%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €42,126 (+1.44%).

## Section 11 - Provisions for risks and charges - Item 110

### 11.1 Breakdown of item 110 "Provisions for risks and charges"

(€ '000)

| ITEMS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| Clawback Provision | 15,555 | 4,528 |
| Provisions for lawsuits | 27,048 | 12,557 |
| Provision for staff costs | 3,294 | 7,240 |
| Other risk provisions | 8,025 | 9,508 |
| **Total** | **53,922** | **33,833** |

The Company is currently engaged in litigation and revocation lawsuits for a total maximum risk of Euro 64.7 million (Euro 49.9 million at the end of 2016), offset by funds of Euro 42.6 million, which represents the best estimate of the cost that the Company expects to sustain in relation to these risks.
Provision for staff expenses refers to the discretionally variable portion of pay.

### 11.2 Yearly changes of item 110 "Provisions for risks and charges"

(€ '000)

| ITEMS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **1. Opening balance** | **33,833** | **25,435** |
| **2. Increases** | **26,419** | **15,320** |
| Clawback Provision | 11,027 | 0 |
| Provisions for lawsuits | 14,491 | 641 |
| Provision for staff costs | 284 | 6,854 |
| Other risk provisions | 617 | 7,825 |
| **3. Decreases** | **(6,330)** | **(6,922)** |
| Clawback Provision | | (94) |
| Provisions for lawsuits | 0 | (1,790) |
| Provision for staff costs | (4,230) | (4,314) |
| Other risk provisions | (2,100) | (724) |
| **4. Final amount** | **53,922** | **33,833** |

# Part B - Information on the Statement of Financial Position - Liabilities (Continued)

## Section 12 - Equity - Items 120, 150, 160 and 170

### 12.1 Breakdown of item 120 “Capital”

(€ ‘000)

| TYPE | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **1. Share 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 “Issued share premiums”

(€ ‘000)

| TYPE | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **1. Share premium** | **951** | **951** |
| 1.1 Share Premiums from the capital increase of 1997 | 951 | 951 |

### 12.5 Other information

(€ ‘000)

| ITEMS | LEGAL RESERVE | RETAINED EARNINGS | STATUTORY RESERVE | OTHER INSURANCE PROVISION | TOTAL |
|---|---|---|---|---|---|
| **A. Opening balance** | **27,736** | **118** | **185** | **216,717** | **244,756** |
| **B. Increases** | **4,324** | **-** | **-** | **21,708** | **26,032** |
| B.1 Profit attributions | 4,324 | | - | 21,610 | 25,934 |
| B.2 Other increases | - | - | - | 98 | 98 |
| **C. Reductions** | **-** | **-** | **-** | **0** | **0** |
| C.1 Uses | - | - | - | - | - |
| - to cover losses | - | - | - | - | - |
| - distribution | - | - | - | - | - |
| - transfer to capital | - | - | - | - | - |
| C.2 Other reductions | - | - | - | 0 | 0 |
| **D. Closing balance** | **32,060** | **118** | **185** | **238,425** | **270,788** |

Other Reserves are prevalently made up of non distributed profits.

### Analysis of the breakdown of Net Equity with reference to availability and permitted distribution (Art. 2427, No. 7 bis)

(€ ‘000)

| NATURE/DESCRIPTION | AMOUNT | PERMITTED USES | AVAILABLE PORTION | OVERVIEW OF USES OF THE THREE PREVIOUS YEARS | |
|---|---|---|---|---|---|
| | | | | TO COVER LOSSES | FOR OTHER REASONS |
| **Share capital** | **414,348** | | **-** | | |
| **Capital reserve:** | **951** | | **-** | | |
| - Share premium | 951 | B | - | | |
| **Profit reserve** | **270,788** | | **239,163** | | |
| - Statutory reserve | 185 | A, B, C | 185 | | |
| - Legal reserve | 32,060 | B | - | | |
| - FTA reserve | (447) | | - | | |
| - Other Reserves * | 238,872 | A, B, C | 238,860 | | |
| - Previous year profit | 118 | A, B, C | 118 | | |
| **Profit of the year** | **61,003** | | **-** | | |
| **Total** | **747,090** | **-** | **239,163** | | |

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

* Pursuant to OIC 28 and Art. 2426 paragraph 5 of the Italian Civil Code, the unavailable portion relates to the value of start-up and expansion costs recorded in the statement of financial position under “Other assets”, equal to 12 thousand euro for 2017.

# Part C - Information on the Income Statement


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# Part C - Information on the Income Statement

## Section 1 - Interest - Items 10 and 20

### 1.1 Breakdown of item 10 "Interest income and similar revenues"

(€ '000)

| ITEMS/TECHNICAL TYPE | DEBT SECURITIES | LOANS | OTHER TRANSACTIONS | 2017 | 2016 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | - | - | - | - | - |
| 2. Financial assets at fair value through profit or loss | - | - | - | - | - |
| 3. Available-for-sale financial assets | - | - | - | - | - |
| 4. Financial assets held to maturity | - | - | - | - | - |
| 5. Receivables | - | 120,634 | - | 120,634 | 135,457 |
| 5.1 Receivables with banks | - | 1,425 | - | 1,425 | 201 |
| 5.2 Receivables with financial institutions | - | 2,484 | - | 2,484 | 5,553 |
| 5.3 Receivables with customers | - | 116,725 | - | 116,725 | 129,703 |
| 6. Other assets | - | - | - | - | - |
| 7. Hedging derivatives | - | - | - | - | - |
| **Total** | **-** | **120,634** | **-** | **120,634** | **135,457** |

Interest income, other than that under the item Write-backs, accrued in 2017 against exposures classified as non-performing receivables at December 31 amounted to 4.96 million.

### 1.3 Breakdown of item 20 "Interest expense and similar charges"

(€ '000)

| ITEMS/TECHNICAL TYPE | LOANS | SECURITIES | OTHER | 2017 | 2016 |
|---|---|---|---|---|---|
| 1. Payables to banks | (2,384) | - | - | (2,384) | (6,069) |
| 2. Payables to financial institutions | - | - | - | - | - |
| 3. Payables to customers | - | - | - | 0 | (58) |
| 4. Debt securities in issue | - | (725) | - | (725) | (948) |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial liabilities at fair value | - | - | - | - | - |
| 7. Other liabilities | - | - | - | - | - |
| 8. Hedging derivatives | - | - | (3,397) | (3,397) | (3,734) |
| **Total** | **(2,384)** | **(725)** | **(3,397)** | **(6,506)** | **(10,809)** |

The reduction in interest receivable and payable is explained by the reduction in rates, which more than offset the effect of the increase in average volumes employed.

## Section 2 - Fee and commission income and expense - Items 30 and 40

### 2.1 Breakdown of item 30 "Fee and commission income"

(€ '000)

| BREAKDOWN | 2017 | 2016 |
|---|---|---|
| 1. Finance lease transactions | - | - |
| 2. Factoring transactions | 67,307 | 71,648 |
| 3. Consumer credit | - | - |
| 4. Guarantees given | - | - |
| 5. Services of: | - | - |
| - provisions management for third parties | - | - |
| - foreign exchange intermediation | - | - |
| - product distribution | - | - |
| - Other | - | - |
| 6. Collection and payment services | 172 | 141 |
| 7. Servicing securitisation transactions | - | - |
| 8. Other fees and commissions: recovery client expenses credit preparation, account fees etc. | 1,771 | 1,763 |
| **Total** | **69,250** | **73,552** |

## 2.2 Breakdown of item 40 "Fee and commission expense"

(€ '000)

| BREAKDOWN | 2017 | 2016 |
|---|---|---|
| 1. guarantees received | (6,068) | (3,124) |
| 2. distribution of third-party services | - | - |
| 3. collection and payment services | (901) | (776) |
| 4. other fees and commissions | (6,744) | (7,182) |
| 4.1 fees | (3,379) | (3,719) |
| 4.2 reinsurance of receivables cost | (3,365) | (3,463) |
| **Total** | **(13,713)** | **(11,082)** |

# Section 4 - Gains and losses on financial assets and liabilities held for trading - Item 60

## 4.1 Breakdown of item 60 "Gains and losses on financial assets and liabilities held for trading"

(€ '000)

| | 2017 | | | | |
|---|---|---|---|---|---|
| ITEMS/P&L ITEMS | UNREALISED PROFITS | REALISED PROFITS | LOSSES | REALISED LOSSES | RESULT NET |
| **1. Financial assets** | - | **-** | **-** | **-** | **-** |
| 1.1 Debt securities | - | - | - | - | - |
| 1.2 Equity securities and shares of UCIs | - | - | - | - | - |
| 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 differences** | **-** | **25** | **-** | **-** | **25** |
| **4. Financial derivatives** | | **-** | **-** | **-** | **-** |
| **5. Receivables derivatives** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **-** | **25** | **-** | **-** | **25** |

# Section 8 - Impairment losses/write-backs - item 100

## 8.1 "Write-downs/write-backs impairment losses on receivables"

(€ '000)

| | WRITE-DOWNS | | WRITE-BACKS | | | |
|---|---|---|---|---|---|---|
| ITEMS/IMPAIRMENT | SPECIFIC | PORTFOLIO | SPECIFIC | PORTFOLIO | 2017 | 2016 |
| **1. Receivables from banks** | **-** | **-** | **-** | **-** | **-** | **-** |
| - for leases | - | - | - | - | - | - |
| - for factoring | - | - | - | - | - | - |
| - other receivables | - | - | - | - | - | - |
| **2. Receivables from financial institutions** | **-** | **-** | **-** | **-** | **-** | **-** |
| Purchased non-performing receivables | - | - | - | - | - | - |
| - for leases | - | - | - | - | - | - |
| - for factoring | - | - | - | - | - | - |
| - other receivables | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| - for leases | - | - | - | - | - | - |
| - for factoring | - | - | - | - | - | - |
| - other receivables | - | - | - | - | - | - |
| **3. Receivables from customers** | **(37,251)** | **-** | **16,468** | **6,123** | **(14,660)** | **(15,523)** |
| Purchased non-performing receivables | - | - | - | - | - | - |
| - for leases | - | - | - | - | - | - |
| - for factoring | - | - | - | - | - | - |
| - other receivables | - | - | - | - | - | - |
| Other receivables | (37,251) | - | 16,468 | 6,123 | (14,660) | (15,523) |
| - for leases | - | - | - | - | - | - |
| - for factoring * | (36,670) | - | 16,468 | 6,123 | (14,079) | (14,988) |
| - for consumer credit | - | - | - | - | - | - |
| - other receivables | (581) | - | - | - | (581) | (535) |
| **Total** | **(37,251)** | **-** | **16,468** | **6,123** | **(14,660)** | **(15,523)** |

* Specific write-downs also include write-offs without usage provision.
Portfolio write-backs are mainly due to an improvement in average risk.

# Part C - Information on the Income Statement (Continued)

### 8.4 Breakdown of sub-item 100.b "Impairment losses on other financial transactions"

There are no impairment losses on other financial assets.

## Section 9 - Administration costs - Item 110

### 9.1 Breakdown of item 110.a "Payroll costs"

(€ '000)

| ITEM/SECTOR | 2017 | 2016 |
|---|---|---|
| **1. Employees** | **(22,550)** | **(27,583)** |
| a) wages and salaries | (15,273) | (15,391) |
| b) social charges | (4,430) | (4,136) |
| c) severance pay | (117) | (133) |
| d) social security costs | - | - |
| e) allocation to employee severance pay provision | (60) | (69) |
| f) provision for retirements and similar provisions | - | - |
| - defined contribution | - | - |
| - defined benefit | - | - |
| g) payments to external pension funds: | (813) | (835) |
| - defined contribution | (813) | (835) |
| - defined benefit | - | - |
| h) other costs | (1,857) | (7,019) |
| **2. Other active staff** | **0** | **(2)** |
| **3. Directors and Statutory auditors** | **(264)** | **(281)** |
| **4. Early retirement costs** | **-** | **-** |
| **5. Recovery of expenses for employees seconded to other companies** | **377** | **69** |
| **6. Recovery of expenses for employees seconded to the companies *** | **(4,473)** | **(3,980)** |
| **Total** | **(26,910)** | **(31,777)** |

* "Refund of costs for employees seconded to the company" prevalently refers to the cost of seconded personnel.
The reduction in other costs is due to costs in the previous year for outgoings provided for in the strategic plan based on the agreements signed with union representatives.

### 9.2 Average number of employees by category

| DETAIL BY CATEGORY | 2017 | 2016 |
|---|---|---|
| Senior Management | 7.5 | 8.8 |
| Middle Management | 161.0 | 163.4 |
| Remaining staff | 102.0 | 98.4 |
| **Total employees** | **270.5** | **270.5** |
| Third party personnel | 42.5 | 30.6 |
| Other | 0.0 | 0.3 |
| **Total** | **313.0** | **301.4** |

## 9.3 Breakdown of item 110.b “Other administrative costs”

(€ ‘000)

| CATEGORIES OF COSTS | 2017 | 2016 |
|---|---|---|
| **1) Indirect taxes and duties** | **(822)** | **(836)** |
| 1a. Paid | (822) | (836) |
| 1b. Not paid | - | - |
| **2) DTA guarantee fees** | **(2)** | **(671)** |
| **3) Other costs and expenses** | **(18,847)** | **(20,628)** |
| **a) advertising marketing and communication** | **(200)** | **(185)** |
| **b) expenses related to credit risk** | **(2,729)** | **(3,536)** |
| **c) expenses related to personnel** | **(812)** | **(997)** |
| **d) Information & Communication Technology expenses** | **(7,375)** | **(7,459)** |
| Hardware costs: lease and maintenance | - | - |
| Software costs: lease and maintenance | - | - |
| ICT communication systems | (403) | (359) |
| ICT services: external personnel/outsourced services | (6,972) | (7,100) |
| Financial information providers | - | - |
| **e) consulting and professionals services** | **(572)** | **(947)** |
| Consulting | (512) | (828) |
| Legal costs | (60) | (119) |
| **f) real estate expenses** | **(2,336)** | **(2,481)** |
| Premises rentals | (1,592) | (1,674) |
| Utilities | (412) | (319) |
| Other real estate expenses | (332) | (488) |
| **g) operative costs** | **(4,823)** | **(5,023)** |
| Surveillance and security services | 0 | - |
| Money counting services and transport | 0 | - |
| Insurance Companies | (154) | (105) |
| Postage and transport of documents | (418) | (398) |
| Printing and stationery | (43) | (31) |
| Administrative and logistic services | (4,113) | (4,428) |
| Association dues and fees | (61) | (60) |
| Other administrative expenses - Other | (34) | (1) |
| **Total (1+2)** | **(19,671)** | **(22,135)** |

The reduction in administration costs over the previous year is principally due to a reduction in legal, consultancy and administration service costs.

# Part C - Information on the Income Statement (Continued)

## Section 10 - Impairments/write-downs on property, plant and equipment - Item 120

### 10.1 Breakdown of item 120 "Impairments/write-backs on property, plant and equipment"

(€ '000)

| ITEM/WRITE-DOWNS AND WRITE-BACKS | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | DEPRECIATION (a) | IMPAIRMENT LOSSES (b) | WRITE-BACKS (c) | NET RESULT (a+b-c) | DEPRECIATION (a) | IMPAIRMENT LOSSES (b) | WRITE-BACKS (c) | NET RESULT (a+b-c) |
| **1. Assets for operational use** | **(2)** | **-** | **-** | **(2)** | **(27)** | **-** | **-** | **(27)** |
| 1.1 owned | (2) | - | - | (2) | (27) | - | - | (27) |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| c) office furniture and fitting | (2) | - | - | (2) | (27) | - | - | (27) |
| d) capital goods | - | - | - | - | - | - | - | - |
| e) others | - | - | - | - | - | - | - | - |
| 1.2 leased | - | - | - | - | - | - | - | - |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| c) office furniture and fitting | - | - | - | - | - | - | - | - |
| d) capital goods | - | - | - | - | - | - | - | - |
| e) others | - | - | - | - | - | - | - | - |
| **3. Assets held as investments** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| *of which granted in leasing operations* | - | - | - | - | - | - | - | - |
| **Total** | **(2)** | **-** | **-** | **(2)** | **(27)** | **-** | **-** | **(27)** |

## Section 11 - Write-downs on intangible assets - Item 130

### 11.1 Breakdown of item 130 "Net value adjustments/write-backs on intangible assets"

(€ '000)

| ITEM/WRITE-DOWNS AND WRITE-BACKS | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | AMORTISATION (a) | IMPAIRMENT LOSSES (b) | WRITE-BACKS (c) | NET RESULT (a+b-c) | AMORTISATION (a) | IMPAIRMENT LOSSES (b) | WRITE-BACKS (c) | NET RESULT (a+b-c) |
| **1. Goodwill** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **2. Other intangible assets** | **(69)** | **0** | **-** | **(69)** | **(294)** | **(176)** | **-** | **(470)** |
| 2.1 owned | (69) | 0 | - | (69) | (294) | (176) | - | (470) |
| 2.2 purchased leased | - | - | - | - | - | - | - | - |
| **3. Assets under finance lease** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **4. Assets granted under operating lease** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **(69)** | **0** | **-** | **(69)** | **(294)** | **(176)** | **-** | **(470)** |

## Section 13 - Net provisions for risks and charges - Item 150

### 13.1 Breakdown of item 150 "Net provisions for risks and charges"

(€ '000)

| PROVISIONS FOR RISKS AND CHARGES | 2017 | 2016 |
|---|---|---|
| - Provisions for clawbacks | (11,540) | (19) |
| - Provisions for lawsuits | (14,509) | (2,115) |
| - Other risk provisions | (619) | (8,586) |
| - Write-backs on provision for risks and charges | 2,632 | 2,482 |
| **Total** | **(24,036)** | **(8,238)** |

See commentary on table 11.1 of the liabilities (breakdown of item 110 "Provision for risks and charges") and the annual report.

## Section 14 - Other net operating income and charges- Item 160

### 14.1 Breakdown of item 160 "Interest expense and similar charges"

(€ '000)

| ITEM/OTHER OPERATING INCOME AND CHARGES | 2017 | 2016 |
|---|---|---|
| - customer legal costs | 619 | 368 |
| - indiscriminate use of company cars | 39 | 58 |
| - rental income | 7 | 6 |
| - indemnity insurance | 1,853 | 10,263 |
| - misc. income | 651 | 2,112 |
| **Total other operating revenues** | **3,169** | **12,807** |
| - Other operating costs | (395) | (54) |
| **Total other operating costs** | **(395)** | **(54)** |
| **Total other revenues and operating costs** | **2,774** | **12,753** |

## Section 17 - Tax costs (income) related to profit or loss from continuing operations - Item 190

### 17.1 Breakdown of item 190 "Tax costs (income) related to profit or loss from continuing operations"

(€ '000)

| ITEM/WRITE-DOWNS AND WRITE-BACKS | 2017 | 2016 |
|---|---|---|
| 1. Current tax | (29,879) | (36,214) |
| 2. Adjustment to current tax of prior year | 1,317 | 76 |
| 3. Reduction of current tax for the year | - | - |
| 3.bis Reduction of current tax for the year for tax credits according to Law No. 214/2011 | | |
| 4. Changes to deferred tax assets | 2,449 | 811 |
| 5. Changes to deferred tax liabilities | - | 1 |
| **Tax expense for the year** | **(26,113)** | **(35,326)** |

### 17.2 Reconciliation of theoretical tax charge to actual tax charge

(€ '000)

| ITEM/WRITE-DOWNS AND WRITE-BACKS | 2017 | 2016 |
|---|---|---|
| **Total profit or loss before tax from continuing operations** | **87,116** | **121,806** |
| Theoretical applicable tax rate | 27.5% | 27.5% |
| Theoretical taxes | (23,957) | (33,497) |
| **Tax effects derived from:** | | |
| + Non-taxable income - permanent differences | - | - |
| - Non-deductible expenses - permanent and temporary differences | (8,176) | (5,706) |
| - IRAP | (5,715) | (6,763) |
| + Deferred tax assets recognition | | |
| +/- Other differences and reversals | 11,735 | 10,640 |
| **Income taxes recognised through profit or loss** | **(26,113)** | **(35,326)** |
| **Tax costs (income) related to profit or loss from continuing operations** | **(26,113)** | **(35,326)** |
| **Difference** | **-** | **-** |

The effective tax rate in 2017 is equal to 29.98% compared with 29% of the previous year.

# Part C - Information on the Income Statement (Continued)

## Section 19 - Income Statement other information

### 19.1 Analytical breakdown of interest income and commission income

(€ '000)

| ITEM/COUNTERPARTY | INTEREST INCOME | | | FEE AND COMMISSION INCOME | | | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| | BANKS | FINANCIAL INSTITUTIONS | CUSTOMERS | BANKS | FINANCIAL INSTITUTIONS | CUSTOMERS | | |
| **1. Finance leases** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - immovable property | - | - | - | - | - | - | - | - |
| - movable property | - | - | - | - | - | - | - | - |
| - instrumental property | - | - | - | - | - | - | - | - |
| - intangible property | - | - | - | - | - | - | - | - |
| **2. Factoring** | **1,425** | **2,484** | **116,725** | **615** | **1,001** | **67,634** | **189,884** | **209,009** |
| - on current receivables | 1,402 | 2,416 | 53,775 | 615 | 972 | 33,789 | 106,293 | 118,915 |
| - on future receivables | - | 9 | 6,699 | - | 15 | 4,411 | 11,134 | 11,104 |
| - receivables purchased outright | 23 | - | 56,177 | - | - | 16,019 | 72,219 | 70,689 |
| - receivables purchased below original value | - | - | - | - | - | - | - | - |
| - for other loans | - | 59 | 74 | - | 14 | 13,415 | 238 | 8,301 |
| **3. Consumer credit** | **-** | **-** | **-** | **-** | | **-** | **-** | **-** |
| - personal loans | - | - | - | - | - | - | - | - |
| - finalised loans | - | - | - | - | - | - | - | - |
| - wage assignment loans | - | - | - | - | - | - | - | - |
| **4. Pledge loans** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Guarantees and commitments** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - of commercial nature | - | - | - | | - | - | - | - |
| - of financial nature | - | - | - | - | - | - | - | - |
| **Total** | **1,425** | **2,484** | **116,725** | **615** | **1,001** | **67,634** | **189,884** | **209,009** |

# Part D - Other information


| | | |
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# Part D - Other information

## Section 1 - Relating to specific performed activities

### B. Factoring and assignment of receivables

#### B.1 Gross value and book value

##### B.1.1 Factoring operations

(€ '000)

| ITEMS/VALUES | 12.31.2017 GROSS VALUE | 12.31.2017 WRITE-DOWNS | 12.31.2017 NET VALUE | 12.31.2016 GROSS VALUE | 12.31.2016 WRITE-DOWNS | 12.31.2016 NET VALUE |
|---|---|---|---|---|---|---|
| **1. Performing assets** | **8,691,026** | **14,487** | **8,676,540** | **7,712,443** | **20,922** | **7,691,521** |
| - exposure to assignors (with recourse) | 4,310,658 | 9,513 | 4,301,145 | 3,658,061 | 13,029 | 3,645,032 |
| *- transfers of future receivables* | *177,121* | *236* | *176,885* | *231,809* | *371* | *231,438* |
| *- other* | *4,133,537* | *9,277* | *4,124,260* | *3,426,252* | *12,658* | *3,413,594* |
| - exposures to assigned debtors (non-recourse) | 4,380,368 | 4,974 | 4,375,395 | 4,054,382 | 7,893 | 4,046,489 |
| **2. Non-performing assets** | **337,985** | **136,212** | **201,773** | **476,427** | **195,860** | **280,565** |
| **2.1 bad loans** | **134,069** | **91,238** | **42,831** | **200,724** | **154,161** | **46,562** |
| - exposure to assignors (with recourse) | 124,420 | 84,550 | 39,870 | 187,293 | 144,678 | 42,614 |
| *- transfers of future receivables* | *7,651* | *2,763* | *4,888* | *10,601* | *5,147* | *5,454* |
| *- other* | *116,769* | *81,787* | *34,982* | *176,692* | *139,531* | *37,160* |
| - exposures to assigned debtors (non-recourse) | 9,649 | 6,688 | 2,961 | 13,431 | 9,483 | 3,948 |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | *9,649* | *6,688* | *2,962* | *13,431* | *9,483* | *3,948* |
| **2.2 Unlikely to pay** | **97,600** | **39,541** | **58,059** | **86,191** | **31,949** | **54,242** |
| - exposure to assignors (with recourse) | 77,982 | 29,635 | 48,347 | 58,763 | 17,486 | 41,277 |
| *- transfers of future receivables* | *27,479* | *10,189* | *17,290* | *530* | *289* | *241* |
| *- other* | *50,503* | *19,446* | *31,057* | *58,233* | *17,197* | *41,036* |
| - exposures to assigned debtors (non-recourse) | 19,618 | 9,906 | 9,712 | 27,428 | 14,463 | 12,965 |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | *19,618* | *9,906* | *9,711* | *27,428* | *14,463* | *12,965* |
| **2.3 Non-performing past due exposures** | **106,316** | **5,433** | **100,883** | **189,512** | **9,750** | **179,761** |
| - exposure to assignors (with recourse) | 56,278 | 2,876 | 53,402 | 145,224 | 7,377 | 137,846 |
| *- transfers of future receivables* | *254* | *13* | *241* | *33,363* | *1,695* | *31,668* |
| *- other* | *56,024* | *2,863* | *53,161* | *111,861* | *5,682* | *106,178* |
| - exposures to assigned debtors (non-recourse) | 50,038 | 2,557 | 47,481 | 44,288 | 2,373 | 41,915 |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | *50,038* | *2,557* | *47,481* | *44,288* | *2,373* | *41,916* |
| **Total** | **9,029,011** | **150,699** | **8,878,313** | **8,188,870** | **216,782** | **7,972,086** |

## Other disposals

(€ '000)

| ITEMS/VALUES | 12.31.2017 GROSS VALUE | 12.31.2017 WRITE-DOWNS | 12.31.2017 NET VALUE | 12.31.2016 GROSS VALUE | 12.31.2016 WRITE-DOWNS | 12.31.2016 NET VALUE |
|---|---|---|---|---|---|---|
| **1. Performing assets** | **1,232,674** | **269** | **1,232,405** | **1,123,149** | **307** | **1,122,842** |
| - exposure to assignors (with recourse) | 35,607 | 85 | 35,522 | 88,575 | 187 | 88,388 |
| *- transfers of future receivables* | - | - | - | - | - | - |
| *- other* | *35,607* | *85* | *35,522* | *88,575* | *187* | *88,388* |
| - exposures to assigned debtors (non-recourse) | 1,197,067 | 184 | 1,196,883 | 1,034,574 | 120 | 1,034,454 |
| **2. Non-performing assets** | **4,544** | **2,881** | **1,662** | **2,338** | **1,659** | **680** |
| **2.1 bad loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| - exposure to assignors (with recourse) | - | - | - | - | - | - |
| *- transfers of future receivables* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| - exposures to assigned debtors (non-recourse) | - | - | - | - | - | - |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| **2.2 Unlikely to pay** | **4,540** | **2,881** | **1,658** | **2,338** | **1,659** | **680** |
| - exposure to assignors (with recourse) | 4,540 | 2,881 | 1,658 | 2,338 | 1,659 | 680 |
| *- transfers of future receivables* | - | - | - | - | - | - |
| *- other* | *4,540* | *2,881* | *1,658* | *2,338* | *1,659* | *680* |
| - exposures to assigned debtors (non-recourse) | - | - | - | - | - | - |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| **2.3 Restructured exposures** | **-** | **-** | **-** | **-** | **-** | **-** |
| - exposure to assignors (with recourse) | - | - | - | - | - | - |
| *- transfers of future receivables* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| - exposures to assigned debtors (non-recourse) | - | - | - | - | - | - |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| **2.3 Non-performing past due exposures** | **4** | **-** | **4** | **-** | **-** | **-** |
| - exposure to assignors (with recourse) | 4 | - | 4 | - | - | - |
| *- transfers of future receivables* | *4* | - | *4* | - | - | - |
| *- other* | - | - | - | - | - | - |
| - exposures to assigned debtors (non-recourse) | - | - | - | - | - | - |
| *- purchases below nominal value* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| **Total** | **1,237,218** | **3,150** | **1,234,067** | **1,125,487** | **1,966** | **1,123,522** |

### B.1.2 Purchase transactions of non-performing assets other than factoring

The company has not made this type of transaction.

# Part D - Other information (Continued)

### B.2 Breakdown by residual life

Past due receivables are classified in the "on demand" group if not performing and if non-performing are classified according to their estimated maturity for the book value.

#### B.2.1 Factoring transactions with recourse: advances and "total receivables"

(€ '000)

| | ADVANCES | | TOTAL RECEIVABLES | |
|---|---|---|---|---|
| MATURITY RANGES | 12.31.2017 | 12.31.2016 | 12.31.2017 | 12.31.2016 |
| - on demand | 1,409,693 | 1,226,929 | 2,284,012 | 2,131,046 |
| - up to 3 months | 1,819,621 | 1,583,711 | 2,825,483 | 2,658,479 |
| - from 3 to 6 months | 549,421 | 478,190 | 867,920 | 807,775 |
| - from 6 months to 1 year | 363,512 | 316,383 | 429,576 | 441,883 |
| - over 1 year | 300,517 | 261,556 | 360,571 | 398,937 |
| - unspecified maturity | | | | |
| **Total** | **4,442,764** | **3,866,769** | **6,767,562** | **6,438,120** |

The breakdown of with recourse advances for the time period was conventionally carried out in proportion to the maturity of related total receivables.

#### Other disposals

(€ '000)

| | ADVANCES | | TOTAL RECEIVABLES | |
|---|---|---|---|---|
| MATURITY RANGES | 12.31.2017 | 12.31.2016 | 12.31.2017 | 12.31.2016 |
| - on demand | 35,042 | 83,946 | 15,361 | 88,049 |
| - up to 3 months | 124 | 296 | 7,060 | 524 |
| - from 3 to 6 months | - | - | - | - |
| - from 6 months to 1 year | 1,347 | 3,226 | 28,535 | 5,567 |
| - over 1 year | 668 | 1,600 | 6,587 | 2,049 |
| - unspecified maturity | - | | | |
| **Total** | **37,180** | **89,068** | **57,543** | **96,189** |

#### B.2.2 Factoring transactions without recourse: exposures

(€ '000)

| | EXPOSURES | |
|---|---|---|
| MATURITY RANGES | 12.31.2017 | 12.31.2016 |
| - on demand | 895,816 | 782,455 |
| - up to 3 months | 2,669,642 | 2,270,225 |
| - from 3 to 6 months | 397,894 | 514,741 |
| - from 6 months to 1 year | 172,319 | 206,874 |
| - over 1 year | 299,878 | 331,022 |
| - unspecified maturity | | |
| **Total** | **4,435,549** | **4,105,317** |

#### Other disposals

(€ '000)

| | EXPOSURES | |
|---|---|---|
| MATURITY RANGES | 12.31.2017 | 12.31.2016 |
| - on demand | 171,629 | 193,713 |
| - up to 3 months | 24,663 | 14,326 |
| - from 3 to 6 months | 30,012 | 21,286 |
| - from 6 months to 1 year | 657,307 | 173,685 |
| - over 1 year | 313,272 | 631,444 |
| - unspecified maturity | | |
| **Total** | **1,196,883** | **1,034,454** |

#### B.2.3 Purchase transactions of non-performing receivables other than factoring

The company has not made this type of transaction.

## B.3 Changes in overall write-downs/impairments

### B.3.1 Factoring operations

(€ '000)

| ITEM | OPENING WRITE-DOWNS | INCREASES: WRITE-DOWNS | INCREASES: LOSSES ON DISPOSAL | INCREASES: TRANSF TO OTHER STATUS | INCREASES: OTHER POSITIVE CHANGES | REDUCTIONS: WRITE-BACKS | REDUCTIONS: GAINS ON DISPOSAL | REDUCTIONS: TRANSFER TO OTHER STATUS | REDUCTIONS: CANC. | REDUCTIONS: OTHER NEGATIVE CHANGES | CLOSING WRITE-DOWNS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Specific on non-performing assets** | **195,860** | **35,454** | **-** | **6,607** | **-** | **16,468** | **-** | **6,607** | **77,854** | **780** | **136,212** |
| Exposure to assignors | 169,541 | 28,714 | - | 4,514 | - | 13,521 | - | 4,514 | 67,673 | - | 117,061 |
| - Bad loans | 144,678 | 5,044 | | 4,514 | - | 3,690 | - | - | 65,996 | - | 84,550 |
| - Unlikely to pay | 17,486 | 21,156 | - | - | - | 2,816 | - | 4,514 | 1,677 | - | 29,635 |
| - Non-performing past-due exposures | 7,377 | 2,514 | - | - | - | 7,015 | - | - | - | - | 2,876 |
| Exposures to assigned debtors | 26,319 | 6,740 | - | 2,093 | - | 2,947 | - | 2,093 | 10,181 | 780 | 19,151 |
| - Bad loans | 9,483 | 1,436 | | 2,093 | - | 310 | - | - | 5,593 | 421 | 6,688 |
| - Unlikely to pay | 14,463 | 2,815 | - | - | - | 520 | - | 2,093 | 4,588 | 171 | 9,906 |
| - Non-performing past-due exposures | 2,373 | 2,489 | - | - | - | 2,117 | - | - | - | 188 | 2,557 |
| **Other assets** | **20,922** | **32** | **-** | **-** | **-** | **6,123** | **-** | **-** | **-** | **344** | **14,487** |
| - Exposure to assignors | 13,029 | - | - | - | - | 3,516 | - | - | - | - | 9,513 |
| - Exposures to assigned debtors | 7,893 | 32 | | - | - | 2,607 | - | - | - | 344 | 4,974 |
| **Total** | **216,782** | **35,486** | **-** | **6,607** | **-** | **22,591** | **-** | **6,607** | **77,854** | **1,124** | **150,699** |

### Other disposals

(€ '000)

| ITEM | OPENING WRITE-DOWNS | INCREASES: WRITE-DOWNS | INCREASES: LOSSES ON DISPOSAL | INCREASES: TRANSF TO OTHER STATUS | INCREASES: OTHER POSITIVE CHANGES | REDUCTIONS: WRITE-BACKS | REDUCTIONS: GAINS ON DISPOSAL | REDUCTIONS: TRANSFER TO OTHER STATUS | REDUCTIONS: CANC. | REDUCTIONS: OTHER NEGATIVE CHANGES | CLOSING WRITE-DOWNS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Specific on non-performing assets** | **1,659** | **1,222** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,881** |
| Exposure to assignors | 1,659 | 1,222 | - | - | - | - | - | - | - | - | 2,881 |
| - Bad loans | | | | | - | - | - | - | | - | - |
| - Unlikely to pay | 1,659 | 1,222 | - | - | - | - | - | | | - | 2,881 |
| - Non-performing past-due exposures | | - | - | - | - | - | - | - | - | - | - |
| Exposures to assigned debtors | | - | - | - | - | - | - | - | - | - | - |
| - Bad loans | | - | | | - | - | - | - | | - | - |
| - Unlikely to pay | | - | - | - | - | - | - | | | - | - |
| - Non-performing past-due exposures | | - | - | - | - | - | - | - | - | - | - |
| **Other assets** | **307** | **64** | **-** | **-** | **-** | **102** | **-** | **-** | **-** | **-** | **269** |
| - Exposure to assignors | 187 | - | - | - | - | 102 | - | - | - | - | 85 |
| - Exposures to assigned debtors | 120 | 64 | - | - | - | - | - | - | - | - | 184 |
| **Total** | **1,966** | **1,286** | **-** | **-** | **-** | **102** | **-** | **-** | **-** | **-** | **3,150** |

### B.3.2 Purchase transactions of non-performing receivables other than factoring

The company has not made this type of transaction.

# Part D - Other information (Continued)

## B.4 Other information

### B.4.1 Turnover of receivables subject to factoring

(€ '000)

| ITEM | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 1. Non-recourse transactions | 19,635,167 | 17,925,342 |
| - of which purchases below nominal value | | |
| 2. With recourse transactions * | 19,232,490 | 16,931,331 |
| **TOTAL** | **38,867,657** | **34,856,673** |

* The figure includes €7,342,500 for 2016 and € 9,477,082 for 2017 of without recourse contracts that did not pass the recognition test pursuant to IAS 39.

Turnover relating to other disposals is equal to 636,997 euro/thousands.

### B.4.2 Collection services

There are no receivables for only collection services.

### B.4.3 Nominal value of purchase contracts for future

(€ '000)

| ITEM | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **Flow of contracts for purchase of future receivables for the year** | 2,310,560 | 3,313,760 |
| **Amount of existing contracts at the closing date of year** | 9,540,373 | 10,316,233 |

### Margin between credit line granted to customers and receivables purchased with recourse

| ITEM | 12.31.2017 | 12.31.2016 |
|---|---|---|
| Margin | 317,087 | 2,537,832 |

The values represent the difference between the credit granted to the assignor and total receivables relating only to with recourse transactions.

## D. Guarantees given and commitments

### D.1 Value of guarantees given and commitments

(€ '000)

| TRANSACTIONS | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 1) Other first-demand financial guarantees | - | - |
| a) Banks | - | - |
| b) Financial Institutions | - | - |
| c) Customers | - | - |
| 2) Other financial guarantees given | 129 | 129 |
| a) Banks | | |
| b) Financial Institutions | | |
| c) Customers | 129 | 129 |
| 3) Commercial guarantees given | - | - |
| a) Banks * | - | - |
| b) Financial Institutions | - | - |
| c) Customers | - | - |
| 4) Other irrevocable commitments to disburse funds | 396,274 | 283,316 |
| a) Banks | - | - |
| i) certain usage | - | - |
| ii) uncertain usage | - | - |
| b) Financial Institutions | - | - |
| i) certain usage | - | - |
| ii) uncertain usage | - | - |
| c) Customers | 396,274 | 283,316 |
| i) certain usage | - | - |
| ii) uncertain usage | 396,274 | 283,316 |
| 5) Underlying obligations for credit derivatives: sales of protection | - | - |
| 6) Assets used to guarantee others' obligations | - | - |
| 7) Other irrevocable commitments | - | - |
| **Total** | **396,403** | **283,445** |

Irrevocable commitments to disburse funds for uncertain use are made up of the non-anticipated part relating to contracts without recourse with the origin and part not used by the assignor on the committed lines. For the latter, use is made only upon presentation of a credit assignment.

**D.2 Loans recorded on the statement of financial position for enforced interventions**
Item not present.

# Section 3 - Information on risks and related hedging policies

## 3.1 Credit risk

### QUALITATIVE INFORMATION

*1. General aspects*
Factoring offers a plurality of services for the needs of companies in terms of collection management, guarantee of assigned commercial receivables and their eventual financing.

The credit risk assumed by the factor shares only some characteristics with the credit risk typical of banking activity.

While in banking activities advance invoices, similar in technical form, are realised by credit lending mainly based on the customer's creditworthiness, factoring activities also take into account the nature of the credits to be purchased, the quality of the individual debtors and the related operating methods.

On the assumption of a risk, the factoring company undertakes a valuation of two counterparties, the assignor supplier and the assigned borrower, both of which are analyzed to give the credit profile; the assumption of risk of these counterparties can take on different operating configurations in relation to the type of product requested by the customer/assessed assignor.

When the factor anticipates the receivables to the assignor, it is exposed to a cash amount equal to the advance granted, which generally does not exceed a certain percentage of the total receivables transferred.

In the without recourse contract, the factoring company guarantees the assignor against default by the assigned borrower, except for cases explicitly stated in the contract. The factor undertakes to pay the amount of receivables sold after a set period of days from when the receivables have become due, except in the case of a outright purchase in which payment (discounted) takes place simultaneously with the sale.

Depending on implemented operating procedures, the factoring company has higher protection where the purchase transaction is accompanied by:
- notification to borrower of loan disposal;
- recognition on the part of the borrowers of loan disposal;
- certification by the State Organisation of the Assigned Receivable;
- purchase of commercial loans with respect to other types of loans;
- purchase of due receivables or on expiry with relation to loans of future receivables;
- the presence of a current account linked to non-notified transactions on an ongoing basis.

In with recourse contracts the risk is diversified: the factor becomes the holder of the receivable from the assigned borrower, which is the main source of reimbursement, and is a guarantee of any advance granted to the assignor. In case of borrower non-fulfilment, the factor can request payment to the assignor (right of recourse).

The contract, with the provision of financing and/or guarantee services, entails exposure to credit risk for the factor towards the assigned borrowers.

Where the factor only provides the management service, it is not exposed to risk.

In general, when the factor provides financing and/or guarantee service, the possibility of recording a loss is determined primarily by the deterioration of the creditworthiness of the counterparties with the consequent occurrence of the risk of non-payment by the assigned borrower (both in case of non-recourse and assignment with recourse) or of the risk of the non-return of the advances paid by the assignor in the case of a recourse transaction.

In more detail this is because the factor provides its services in the context of a pre-existing commercial relationship (between the assignor and debtor), the credit risk is characterized by the following main factors related to the borrower:
- the risk of dilution in the event that the debtor refuses to pay due to events concerning the performance of the underlying supply relationship (such as compensation, rebates, disputes concerning the quality of products and promotional discounts);
- the risk of delayed payment from the real or conventional expiry date (the deadline negotiated at the time of purchase of trade receivables) of the purchased credit is currently linked to economic sectors in crisis or to some entities of the Italian Public Administration. The risk of delayed payment

# Part D - Other information (Continued)

also includes the risk of administrative loss of funds occurring when sums allocated in the State budget are not spent by Public Administrations within a certain period of time;
- compensation risk, particularly high in dealings with State Organisation debtors which reserve the right to offset its own receivables and payables.

### *2. Credit Risk Management Policy*

### 2.1 Organisation

Credit Risk governance is based on structures and processes consolidated over time and entrusted to competent and expert staff.

The process begins with the Commercial Department which has the role of developing and managing relations with assignors through constant relationship monitoring with direct visits and the use of remote tools. In this sense, their role is to identify any signs of assignor credit deterioration and therefore prevent any arising potential losses.

Evaluation of the assigning and borrower counterparties is carried out using Group methodologies through the analysis of financial statements, the Central Credit Register, commercial information and information available to the UniCredit Group. UniCredit Factoring does not have its own rating models, but where customers are shared with the UniCredit Group, the counterparty rating calculated by the parent company, integrated with assignor and borrower electronic files, is a fundamental support element in the evaluation process.

Upon the assignment of assignor and borrower risk, the credit risk is assessed by the Credit Operations Management Department, which operates separate structures for granting of assignments to assignors and borrowers.

The Debtor Management Department manages the relationships with the borrower counterparties on an ongoing basis, carrying out checks on assigned receivables and changes/actions in order to guarantee punctual payments (checking deadlines and payment reminders).

Credit Management also includes the following:
- The Credit Monitoring Office, which ensures portfolio quality maintenance through constant monitoring, which allows for systematic action where there is risk profile deterioration of both the assignor and the assigned borrower. This is carried out in pre-default phase when there is still the possibility that the counterparty (assignor/borrower) is able to meet its commitments as well as provide for the transfer of risk status associated with the position to provide better management protection;
- The Special Credit Office, which ensures the management and monitoring of items classified as Unlikely to pay, Non-performing and those subject to restructuring plans, identifies and implements the most effective solutions to maximize recovery and proposes necessary provisions in relation to loss forecasts;
- The Risk Management Office, which is responsible for:
  - analyzing, evaluating, measuring and monitoring risks typical of the company's activities (credit, operational and market) in order to determine the economic and equity impacts;
  - supporting the implementation of Group policies;
  - providing systematic reporting for Senior Management and the Board of Directors;
  - establishing and monitoring, with the Parent Company and in line with their guidelines, the risk level that the Company is willing to assume (Risk Appetite) for the pursuit of its strategic objectives and business plan, taking into account the interests of its customers and shareholders and compatibly with available financial resources (Risk Taking Capacity), the capital requirements imposed by the first pillar and the other requirements;
  - supporting management in measuring and managing the cost of risk.

### 2.2. Credit risk management, measurement and control

Measurement and reporting activities include issuing of periodic and systematic documents as well as the production of ad hoc estimates to support different types of decisions.

In these reports, the most relevant documents are:
- The "Credit Dashboard" presented to the Board of Directors and containing the analysis of: i) Total Receivables and underlying loans with particular focus on the relative composition (type of assignment, notification and recognition presence, etc.) that define the risk level of risk and relative dynamics; ii) credit quality and provisions to cover loss risks; iii) concentration risk;
- the "monitoring strategy" and "Risk Appetite Framework": presented to the Risk Committee allows assessment of the evolution of the credit risks assumed by the Company and any definition of corrective action in the event of approaching or exceeded threshold limits defined in the "risk appetite" framework and/or the guidelines contained in the credit and business strategies, whose prudential targets and limits were previously approved by the Board;
- the assignor and borrower monitoring dashboard with anomaly tracking.

### 2.3 Credit Risk Mitigation Techniques

Guarantee management is an integral part of the credit process. The primary purpose of guarantee contracts is to maximize the Net Present Value of recoverable amounts, reducing the potential credit loss (LGD) in the case of transfer to recovery of the position.
In fact, despite the guarantees representing an essential element in the definition of terms and conditions of the loan contract (especially for longer-term transactions), their collection constitutes a mere subsidiary support of the credit, which is not able to replace in any circumstances the objective capacity of the client to honour their obligations.

Risk mitigation techniques take into account the particular aspects of factoring that, depending on the service provided, divide the risk between the customer/assignor and the assigned borrower in different ways.

UniCredit Factoring's credit exposures mainly relate to business counterparties and may be secured by "personal" guarantees (normally: sureties from individuals or companies) and less frequently, of the "real" type (normally: pledges on sums or credits) issued by natural and legal persons (owners, family members, parent company).

Generally, personal guarantees are issued, by the company owners that use credit lines or family members.

Other reported guarantees acquired by the Company are:
- sureties issued by the Parent Company to cover exposures in favour of assignors or borrower for amounts exceeding 40% of the Company's Regulatory Capital, in order to comply with the limits imposed by the "major risks" legislation (see next paragraph. To this end, the Company periodically recognises the guaranteed positions and ensures the adjustment of guarantees according to the evolution of the risk (increase/decrease);
- credit insurance policy to mitigate the credit risk deriving from default of the private borrower assigned without recourse.

### Concentration risk and large exposures
Concentration risk refers to the risk deriving from a high incidence of exposure to individual counterparties, groups of connected counterparties, counterparties of the same economic sector or exercising the same activity or belonging to the same geographical area. This risk must be contained and monitored, in relation to capital, total assets or overall risk level, so it does not threaten the solidity of the company or its ability to continue usual performance of its characteristic management.

The problem is normatively addressed in part 4 of regulation EU 575/13 (CRR). In this context, the regulation concerning "Large exposures" refers to total exposures (cash and off-balance sheet) to a single customer or group of connected customers that exceed 10% of the institution's own funds and with a limit of 25% of the eligible capital in which the exemptions provided for by the legislation are calculated and taken into account. For large exposures up to 31 12 2017 (transitional period) the limit is set at 25% with the possibility of reaching 40% by calculating an additional weighting coefficient on the surplus.

The measurement, management and monitoring of "concentration risks", both at sectoral and individual level, fall within the regulatory framework.

Firstly, the Group's parent company on a consolidated basis and the individual companies of the Unicredit group carry out a self-assessment of the minimum financial resources that the Group/Company is expected to have to face the risks it is taking. The evaluation is based on a series of elements such as: current situations and forecasts of national and international economic scenarios, at macroeconomic level and of individual sectors of activity; exposure concentration. The ratio between Available Financial Resources and Internal capital defines the Risk Taking Capacity, which is an essential element of the Risk Appetite Framework and the definition of credit strategies.

In addition to credit strategies, to avoid excesses of concentrations with a high risk impact, limits are defined on a group level, both on a sectoral basis and on an individual basis.

In the case of individual concentration risk, the quantitative limits on credit exposure are calculated using the Economic Capital approach and largely reflect the level of risk Rating of the counterparty or their economic group. Compliance with these limits is monitored by the structures of the Parent Company, in collaboration with the CRO structures of the Legal Entities.

To ensure timely control of risk concentration at Group level, specific guidelines for the management of large exposures are provided for. "Large Exposure" is defined as any credit commitment (direct and indirect) for which at least one of the following conditions applies:

- for only direct risks, the total amount of the applicant's commitments (individual counterparty/economic group) with respect to all the Entities belonging to the Group, exceeding the amount thresholds defined by the Parent Company and approved by the competent Entity bodies; for UniCredit Factoring: this threshold is set at EUR 75 million in the case of overall risks of the UniCredit Group in the Region of Italy or at an individual level of 10% of the Regulatory Capital;
- the applicant is included in a specific list of counterparties, distributed and regularly updated by the Parent Company's CRO Function.

## 2.4 Non-performing financial assets
The Company has specific regulations, where both various performance and risk conditions for assignors and debtors are defined (performing, under observation, payback, debt collection, past due, unlikely to pay, non-performing, - with possible indication of exposures in forborne), and the faculties related to their variation as well as those related to the implementation of provisions and write-offs. The regulations also govern the faculties related to the approval of repayment plans proposed by the assigned debtors and the acquisition of new guarantees.

# Part D - Other information (Continued)

## QUANTITATIVE INFORMATION

### 1 - Breakdown of financial assets by portfolio and credit quality (carrying value)

(€ '000)

| PORTFOLIO/QUALITY | BAD LOANS | UNLIKELY TO PAY | NON-PERFORMING PAST-DUE EXPOSURES | PERFORMING PAST-DUE EXPOSURES | OTHER PERFORMING EXPOSURES | TOTAL |
|---|---|---|---|---|---|---|
| 1. Available-for-sale financial assets | - | - | - | - | 2,217 | 2,217 |
| 2. Financial assets held to maturity | - | - | - | - | - | - |
| 3. Receivables from banks | - | - | - | 5,577 | 264,441 | 270,018 |
| 4. Receivables from financial institutions | - | 18 | - | 126,809 | 521,369 | 648,196 |
| 5. Receivables from customers | 43,034 | 60,044 | 104,572 | 1,156,754 | 8,112,471 | 9,476,875 |
| 6. Financial assets at fair value through profit or loss | | | | | | |
| 7. Financial instruments classified as held for sale | | | | | | |
| **Total as at 31.12.2017** | **43,034** | **60,062** | **104,572** | **1,289,140** | **8,900,498** | **10,397,306** |
| **Total as at 31.12.2016** | **46,751** | **55,420** | **182,188** | **276,781** | **8,737,414** | **9,298,554** |

(€ '000)

| PORTFOLIO/QUALITY | EVIDENT SUB-PRIME FINANCIAL ASSETS | OTHER ASSETS | TOTAL |
|---|---|---|---|
| 1. Financial assets held for trading | - | - | - |
| 2. Hedging derivatives | - | 1,277 | 1,277 |
| **Total as at 31.12.2017** | **-** | **1,277** | **1,277** |
| **Total as at 31.12.2016** | | **455** | **455** |

### 2 - Credit exposures

#### 2.1 Credit exposures to customers: gross and net values

(€ '000)

| | GROSS EXPOSURE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | NON-PERFORMING ASSETS | | | | | | | |
| EXPOSURE TYPES/AMOUNTS | UP TO 3 MONTHS | FROM 3 TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | OVER 1 YEAR | PERFORMING ASSETS | SPECIFIC WRITEDOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
| **A. ON-BALANCE-SHEET EXPOSURES:** | | | | | | | | |
| a) Bad loans | | | | 134,572 | | 91,619 | - | 42,953 |
| - of which: forborne exposures | | | | | | | - | - |
| b) Unlikely to pay | - | | 48,899 | 53,462 | | 42,487 | - | 59,874 |
| - of which: forborne exposures | | | | 15,363 | | 239 | - | 15,124 |
| c) Non-performing past-due exposures | - | 110,009 | | | | 5,621 | | 104,388 |
| - of which: forborne exposures | | | | | | - | - | - |
| d) Past-due performing exposures | | | | | 1,158,681 | - | 1,927 | 1,156,754 |
| - of which: forborne exposures | | | | | | - | - | - |
| e) Other performing exposures | | | | | 8,136,350 | - | 12,547 | 8,123,803 |
| - of which: forborne exposures | - | | | | 10,192 | - | 45 | 10,147 |
| **Total A** | **-** | **110,009** | **48,899** | **188,034** | **9,295,031** | **139,727** | **14,474** | **9,487,772** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | |
| a) Non-performing | - | 5,985 | 11,357 | 23,081 | | - | | 40,423 |
| b) Performing | | | | | 355,851 | - | | 355,851 |
| **Total B** | **-** | **5,985** | **11,357** | **23,081** | **355,851** | **-** | **-** | **396,274** |
| **Total (A+B)** | **-** | **115,994** | **60,256** | **211,115** | **9,650,882** | **139,727** | **14,474** | **9,884,046** |

Off-balance sheet exposures include commitments to disburse funds on formal non-recourse lines and margins on irrevocable creditworthy lines.
The total of partial eliminations on non-performing assets at 31 December 2017 amounted to €77.9 million, entirely carried out on non-performing positions.
The following is a breakdown of performing past due exposures, by past due range, pertaining to the performing portfolio:

*(amounts in € thousands)*
past due up to 3 months: 1,045,878;
past due 3 to 6 months: 65,041;
past due 6 months to 1 year: 50,439;
past due over 1 year: 129,827.

### 2.2 Credit exposures to banks and financial institutions: gross and net values

(€ '000)

| | GROSS EXPOSURE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | NON-PERFORMING ASSETS | | | | | | | |
| EXPOSURE TYPES/AMOUNTS | UP TO 3 MONTHS | FROM 3 TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | OVER 1 YEAR | PERFORMING ASSETS | SPECIFIC WRITEDOWNS | PORTFOLIO ADJUST-MENTS | NET EXPOSURE |
| **A. ON-BALANCE-SHEET EXPOSURES:** | | | | | | | | |
| a) Bad loans | | | | - | | - | - | - |
| - of which: forborne exposures | | | | | | | | - |
| b) Unlikely to pay | - | | | 123 | | 105 | | 18 |
| - of which: forborne exposures | | | | | | | | - |
| c) Non-performing past-due exposures | - | - | | | | - | | - |
| - of which: forborne exposures | - | | | | | - | - | - |
| d) Past-due performing exposures | | | | | 132,503 | | 117 | 132,386 |
| - of which: forborne exposures | | | | | | | | - |
| e) Other performing exposures | | | | | 775,476 | | 563 | 774,913 |
| - of which: forborne exposures | | | | | | | | - |
| **Total A** | **-** | **-** | **-** | **123** | **907,979** | **105** | **680** | **907,317** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | |
| a) Non-performing | | | | | | | | - |
| b) Performing | | | | | | - | | - |
| **Total B** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total (A+B)** | **-** | **-** | **-** | **123** | **907,979** | **105** | **680** | **907,317** |

### 2.3 Breakdown of exposures according to external and internal ratings
### 2.3.1 Distribution of balance sheet and off-balance sheet credit exposures by external rating class

(€ '000)

| | RATING CLASS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EXPOSURES | CLASS 1 | CLASS 2 | CLASS 3 | CLASS 4 | CLASS 5 | CLASS 6 | NO RATING | TOTAL |
| A. Balance-shee exposure | - | 28,326 | 603,560 | 317,465 | 29,545 | - | 9,416,193 | 10,395,089 |
| B. Derivatives | - | - | - | - | - | - | - | - |
| C. Guarantees given | - | - | - | - | - | - | - | - |
| D. Commitments to disburse funds | - | - | 25,595 | 76 | 25,098 | - | 345,505 | 396,274 |
| E. Other | - | - | - | - | - | - | - | - |
| **Total** | **-** | **28,326** | **629,155** | **317,541** | **54,643** | **-** | **9,761,698** | **10,791,363** |

The rating agencies used are: Standard & Poor's, Moody's and Fitch.
If there are evaluations of two ECAIs for the same position, the one corresponding to the highest weighting factor is used; in the case of 3 or more evaluations, the two with the lowest weighting factors are considered and the worst of the two, if different, is used.

# Part D - Other information (Continued)

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

| RATING 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- | fda A1 a 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 inferior | Caa1 and inferior | CCC+ and inferior |

### 2.3.2 Balance Sheet and off-balance sheet exposure by internal rating class (book values)

Table not filled because the Company uses the standard method for calculating credit risk.

## 3 - Credit concentration

### 3.1 Balance Sheet and off-balance sheet credit exposure by counterparty business sector

(€ '000)

| | TOTAL |
|---|---|
| GOVERNMENTS | 1,732,832 |
| OTHER PUBLIC ENTITIES | 473,389 |
| NON-FINANCIAL COMPANIES | 7,217,491 |
| FINANCIAL COMPANIES | 918,214 |
| OTHERS | 53,163 |
| **TOTAL** | **10,395,089** |

### 3.2 Balance Sheet and off-balance sheet credit exposure by counterparty geographic area

(€ '000)

| | TOTAL |
|---|---|
| NORTH WEST | 3,686,964 |
| NORTH EAST | 1,320,276 |
| CENTRE | 3,691,360 |
| SOUTH | 400,687 |
| ISLANDS | 162,505 |
| ABROAD | 1,133,297 |
| **TOTAL** | **10,395,089** |

### 3.3 Major risks

(€ '000)

| | |
|---|---|
| a) Nominal amounts | 4,503,974 |
| b) Post CRM amounts and exemptions ex Art. 400 CRR | 1,822,922 |
| c) Number | 16 |

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

Analytical write-downs are punctually carried out according to periodic loss forecasts; for other positions in default where analytical write-downs cannot be applied, a statistical approach is used (specific write-downs on a flat-rate basis) and finally, for positions not in default, write-downs are calculated based on the Parent Company's Expected Loss valuation models, adapted to the specific nature of factoring, pending the activation of an internal model.

The calculations are made based on the Business Branch (RAE) and Business Sector (SAE) of the assignors, for advances with recourse and that of the borrowers for total receivables without-recourse.

## 3.2 Market risks

### *3.2.1 Interest rate risk*

### QUALITATIVE INFORMATION

#### *1. General aspects*

In line with Group guidelines, as from 2012 the Company adopted a specific policy relating to the interest rate risk of the banking book where the principles, responsibilities and methods for managing this risk are defined.

The two main measurements used to monitor interest rate risk and to set limits are as follows:
- Net Interest Income Sensitivity, which measures the change in net interest income over the following 12 months, in the absence of new transactions, with changes of 100 basis points in interest rates;
- Basis Point Value Sensitivity, which measures the change in current value of interest rate positions deriving from an instantaneous 1bp shock in interest rates. Considering the present value of all future cash flows generated by assets, liabilities, and existing derivatives.

For the purposes of managing liquidity and interest rate risk, the various technical uses can be traced to the following two main types of transactions:
- outright purchase receivables and/or discounted purchase transactions: fixed rate transactions with a finite life, even if the expiry is uncertain, includes an estimated delay period invoice collection with respect to their natural expiry;
- standard transactions (with and without-recourse): revolving exposures, in principle revocable under certain conditions, are normally settled at a variable rate determined monthly on the basis of the average monthly figures and paid monthly/quarterly.

As a general rule:
- the first case is financed with time deposits;
- the second case is financed through a funding line of a periodically settled amount at a rate consistent with the contractual rate applied to customers.

This allows the interest rate risk to be minimised, already limited by the fact transactions are almost entirely short term, in addition to liquidity.

A number of interest rate swap contracts were also set up with the Group's Investment Bank to transform the interest rate from fixed to variable on outright purchase transactions with short term original maturity.

# Part D - Other information (CONTINUED)

## QUANTITATIVE INFORMATION

### 1) Distribution by maturity (repricing date) of financial assets and liabilities

Euros

(€ '000)

| ITEM/RESIDUAL MATURITY | ON DEMAND | UP TO 3 MONTHS | FROM 3 TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | FROM 1 TO 5 YEARS | FROM 5 TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY |
|---|---|---|---|---|---|---|---|---|
| **1. Assets** | **499,599** | **7,610,218** | **257,105** | **514,836** | **408,716** | **188,127** | **12,149** | **-** |
| 1.1 Debt securities | | - | - | - | - | - | - | - |
| 1.2 receivables | 499,599 | 7,610,218 | 257,105 | 514,836 | 408,716 | 188,127 | 12,149 | |
| 1.3 Other assets | | - | - | - | - | - | - | |
| **2. Liabilities** | **66,131** | **8,096,475** | **151,207** | **384,002** | **-** | **-** | **-** | **-** |
| 2.1 Payables | 66,131 | 8,096,475 | 151,207 | 384,002 | - | - | - | - |
| 2.2 Debt securities | | - | - | - | - | - | - | - |
| 2.3 Other liabilities | | - | - | - | - | - | - | |
| **3. Financial derivatives** | | | | | | | | |
| options | | | | | | | | |
| 3.1 Long positions | | - | - | - | - | - | - | - |
| 3.2 Short positions | | - | - | - | - | - | - | - |
| other derivatives | | | | | | | | |
| 3.3 Long positions | | 768,432 | - | - | - | - | - | - |
| 3.4 Short positions | | 3,393 | 2,845 | 285,816 | 346,788 | 119,070 | 10,520 | - |

Other currencies

(€ '000)

| ITEM/RESIDUAL MATURITY | ON DEMAND | UP TO 3 MONTHS | FROM 3 TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | FROM 1 TO 5 YEARS | FROM 5 TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY |
|---|---|---|---|---|---|---|---|---|
| **1. Assets** | **98,034** | **382,406** | **24,049** | **-** | **-** | **4,325** | **-** | **-** |
| 1.1 Debt securities | | - | - | - | - | - | - | - |
| 1.2 receivables | 98,034 | 382,406 | 24,049 | - | - | 4,325 | | - |
| 1.3 Other assets | | - | - | - | - | - | - | |
| **2. Liabilities** | **3,309** | **469,455** | **37,546** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Payables | 3,309 | 469,455 | 37,546 | - | | | - | - |
| 2.2 Debt securities | | | | - | - | - | - | - |
| 2.3 Other liabilities | | - | - | - | - | - | - | |
| **3. Financial derivatives options** | | | | | | | | |
| 3.1 Long positions | | - | - | - | - | - | - | - |
| 3.2 Short positions and de-rivatives | | - | - | - | - | - | - | - |
| 3.3 Long positions | | - | | | | | - | - |
| 3.4 Short positions | | - | - | - | - | | - | - |

Non-performing loans are classified on the basis of the expected collection date and are mainly included in the time period "from 5 to 10 years".

### *2. Models and other methods for interest rate risk measurement and management*

Stress tests

At 31 December 2017 the sensitivity of the interest margin to an immediate and parallel interest rate change of + 100 bps was equal to around 5 million. The sensitivity of the economic value of shareholders' equity to an immediate and parallel interest rate change of +200 bp was - €12 million at 31 December 2017, more than a third due to the change in the current value of Bad loans and Unlikely to pay.

### *3.2.2 Price Risk*

## QUALITATIVE INFORMATION

### *1. General aspects*

The Company does not hold and has not issued any financial instruments exposed to price risk.

### *3.2.3 Currency risk*

## QUALITATIVE INFORMATION

### *1. General aspects*

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

The Company's policy on exchange rate risk requires that the receivables sold in foreign currency are advanced and financed in the same currency. In the case of Euro advances, any differences or costs of conversion of the funding are governed by specific contracts with customers that envisage that any exchange risk is attributed to the customer.

Equity hedging required for exchange rate risk is determined by applying the co-efficient of 8 percent, reduced by 25% for companies belonging to a banking group, to the open net foreign exchange position. At 31 December 2017, the open positions in foreign exchange of the Company did not result in capital absorption.

## QUANTITATIVE INFORMATION

**1. Distribution by currency of assets and liabilities and derivatives**

(€ '000)

| | CURRENCIES | | | | | | |
|---|---|---|---|---|---|---|---|
| ITEMS | US DOLLARS | GBP STERLING | CANADIAN DOLLARS | AUSTRALIAN DOLLARS | KUWAITI DINAR | POLISH ZŁOTY | OTHER CURRENCIES |
| **1. Financial assets** | **369,356** | **26,456** | **74,592** | **194** | **16,289** | **27,959** | **178** |
| 1.1 Debt securities | - | - | - | - | - | - | - |
| 1.2 Equity instruments | - | - | - | - | - | - | - |
| 1.3 receivables | 369,356 | 26,456 | 74,592 | 194 | 16,289 | 27,959 | 134 |
| 1.4 Other financial assets | - | - | - | - | - | - | 44 |
| **2. Other assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **3. Financial liabilities** | **367,788** | **26,339** | **74,440** | **163** | **15,732** | **27,836** | **272** |
| 3.1 Payables | 3,921 | 1,646 | - | - | - | - | 1 |
| 3.2 Debt securities | | | - | - | - | - | - |
| 3.3 Other financial liabilities | 363,867 | 24,693 | 74,440 | 163 | 15,732 | 27,836 | 271 |
| **4. Other liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 5.1 Long positions | - | - | - | - | - | - | - |
| 5.2 Short positions | - | - | - | - | - | - | - |
| **Total assets** | **369,356** | **26,456** | **74,592** | **194** | **16,289** | **27,959** | **178** |
| **Total liabilities** | **367,788** | **26,339** | **74,440** | **163** | **15,732** | **27,836** | **272** |
| **Difference (+/-)** | **1,568** | **117** | **152** | **31** | **557** | **123** | **(94)** |

### *3.3 Operating risks*

## QUALITATIVE INFORMATION

### *1. General aspects, operational processes and methods for measuring operational risk*

In accordance with the internal and external regulations of the Group, operational risk consists of the possibility of incurring losses due to errors, infringements, interruptions or damage attributable to internal processes, personnel, systems or external events.

Operational events may result from inadequate or ignored internal processes, personnel, information systems or telecommunications, systemic events or other external events: internal or external fraud, inadequate work practices or health and safety, customer complaints, product distribution, fines or penalties for failure to comply with forecasts or regulatory obligations, damage to company assets, interruptions in information or communication systems, process execution.

For the purpose of measuring and managing operational risk, the Company operates to:
- map the company processes (including mapping required by the regulations of Law 262/2005);
- implement IT procedures with automatic controls and anomaly management systems;
- provide personnel with the necessary information to identify operational risks;
- use the Group tools and methodologies for Disaster Recovery, Business Continuity and Insurance Policies;
- collate operating loss events by recording them in the Group application;
- calculate the capital requirement for operational risk using the "Base" method or by applying a regulatory coefficient equal to 15% of the average operating income for the last three years.

# Part D - Other information (Continued)

## QUANTITATIVE INFORMATION

Capital absorption quantified using the basic method, corresponding to 15% of the average operating income, amounted to 28.5 million at the end of 2017, compared to 32.3 million at the end of the previous year.

### *3.4 Liquidity risk*

## QUALITATIVE INFORMATION

### *1. General aspects, liquidity risk management processes and measurement methods*

The Company's "Liquidity Policy", already adopted in January 2010, was integrated in 2012 with regard to the governance and responsibility aspects of the individual departments.

It should be noted that UniCredit Factoring provides its own funding solely through the Parent Company by which it is also monitored in terms of liquidity risk. The Company falls within the scope of the Regional Liquidity Center Italy which manages liquidity risk at a centralised level and also accesses capital markets on behalf of the banks/companies whose products fall within the scope.

Funding is carried out according to the following methods, within a periodic revised loan based on the approved budgets and development plans, also taking into account the characteristics of the loans to be financed:

- **Current account accessory:** the main source of funding and finances the most stable portion of revolving loans. It is normally adjusted on a monthly basis according to the trend level of these loans;
- **Payables expiry (from one month and over):** the natural form of funding for outright credit purchase transactions;
- **Payables with short expiry (from overnight to 2 weeks):** used to cover daily liquidity needs and to finance short-term fluctuations in loans;
- **Subordinated liabilities:** including capital and representing a source of financing for transactions due beyond one year;
- **Current account:** the current account with the bank is the channel through which all the Company's operations pass (disbursements, collections, taking on and repayment of deposits, accessory account changes, etc.). The unused credit margin is a liquidity reserve readily available to cover sudden liquidity needs.

As stated above, the Company's liquidity position does not have a significant autonomous value, but must be considered within the consolidation of the Group's Italian Region.

## QUANTITATIVE INFORMATION

**1. Distribution range by residual contract maturity of financial assets and liabilities**

(€ '000)

**Euros**

| ITEM/RESIDUAL MATURITY | ON DEMAND | FROM 1 TO 7 DAYS | FROM 7 TO 15 DAYS | FROM 15 DAYS TO 1 MONTH | FROM 1 TO 3 MONTHS | FROM 3 TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | FROM 1 TO 3 YEARS | FROM 3 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance-sheet assets** | **1,774,062** | **524,285** | **553,051** | **1,452,511** | **2,075,955** | **902,917** | **1,269,588** | **509,573** | **218,539** | **295,329** | **-** |
| A.1 Government securities | - | - | - | - | - | - | - | | | | |
| A.2 Other debt securities | | | | | | - | - | | | | |
| A.3 Loans | 1,774,062 | 524,285 | 553,051 | 1,452,511 | 2,075,955 | 902,917 | 1,269,588 | 509,573 | 218,539 | 295,329 | |
| A.4 Other assets | | | | | | | | | | | |
| **On-balance sheet liabilities** | **1,774,062** | **901,314** | **954,468** | **881,747** | **2,075,955** | **902,917** | **828,235** | **172,834** | **100,010** | **104,013** | **-** |
| B.1 Payables with | | | | | - | - | - | | | | |
| - banks | 1,729,470 | 900,000 | 950,000 | 865,000 | 2,047,921 | 845,328 | 824,067 | 172,000 | 100,000 | 104,000 | |
| - financial institutions | 5,988 | | | | | | | | | | |
| - customers | 38,604 | 1,314 | 4,468 | 16,747 | 28,034 | 57,589 | 4,168 | 834 | 10 | 13 | |
| B.2 Debt securities | - | | | | - | | - | - | | | |
| B.3 Other liabilities | | | | | | | | | | | |
| **Off-balance sheet transactions** | | | **-** | **-** | **-** | **-** | **-** | | | | |
| C.2 Cash settled financial derivatives | | | | | | | | | | | |
| - Positive differentials | - | - | - | - | (7,914) | | | | | | - |
| - Negative differentials | - | | - | | - | 5 | 228 | 1,855 | 1,362 | 4,464 | |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | | |
| - Long positions | | | | | (396,274) | | | | | | |
| - Short positions | | | | | 396,274 | | | | | | |

The accessory current account with the Parent Company, amounting to 3.5 billion at 31 December, has been divided into the individual time brackets according to the criteria used for the distribution of loans, prioritising substance, funding purpose, form, on demand.

**Other currencies**

(€ '000)

| ITEM/RESIDUAL MATURITY | ON DEMAND | FROM 1 TO 7 DAYS | FROM 7 TO 15 DAYS | FROM 15 DAYS TO 1 MONTH | FROM 1 TO 3 MONTHS | FROM 3 TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | FROM 1 TO 3 YEARS | FROM 3 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance-sheet assets** | **125,163** | **42,729** | **5,350** | **145,585** | **138,632** | **46,498** | **1,241** | **-** | **-** | **4,326** | **-** |
| A.1 Government securities | - | - | - | - | - | - | - | | | | |
| A.2 Other debt securities | | | | | | - | - | | | | |
| A.3 Loans | 125,163 | 42,729 | 5,350 | 145,585 | 138,632 | 46,498 | 1,241 | - | - | 4,326 | |
| A.4 Other assets | | | | | | | | | | | |
| **On-balance sheet liabilities** | **202,429** | **2,343** | **31,548** | **80,274** | **157,702** | **38,274** | **-** | **-** | **-** | **-** | **-** |
| B.1 Payables with | | | | | - | - | - | | | | |
| - banks | 200,975 | 2,343 | 31,548 | 80,224 | 156,625 | 37,547 | - | | | | |
| - financial institutions | | | | | | | | | | | |
| - customers | 1,454 | - | - | 50 | 1,077 | 727 | - | | | | |
| B.2 Debt securities | | | | | | | | | | | |
| B.3 Other liabilities | | | | | | | | | | | |
| **Off-balance sheet transactions** | | | **-** | **-** | **-** | **-** | **-** | | | | |
| C.2 Cash settled financial derivatives | | | | | | | | | | | |
| - Positive differentials | | | | | | | | | | | |
| - Negative differentials | | | | | | | | | | | |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |

The currency current account with the Parent Company has been divided into the individual time brackets according to the criteria used for the distribution of loans, prioritising substance, funding purpose, form, on demand.

# Section 4 - Information on capital

## 4.1 Company's capital

### 4.1.1 QUALITATIVE INFORMATION

The Company's capital is the amount of own resources allocated for the corporate purpose and for risk protection connected to the company's activities. Therefore, an adequate equity base is the prerequisite Company development while ensuring its solidity and stability over time.

In accordance with Group policies, UniCredit Factoring takes great care in capital management with a view to both maximizing returns for the shareholder and sustaining growth in loans.

The measurement of monitored capital is as defined by EU Regulation No. 575/2013 of 26 June 2013 (CRR) and by the Bank of Italy circular No. 288 of 3 April 2015 and subsequent amendments concerning the "Supervisory Provisions for Financial Intermediaries" which requires that intermediaries who do not collect savings from the public maintain a capital requirement for credit and counterparty risks of 6% risk-weighted exposure.

From an organisational point of view, capital ratios monitoring is carried out by the Planning, Finance and Administration Department on a monthly basis, both in terms of the statement of financial position and with a prospective view.

Capital management activity is carried out in coordination with the relevant Parent Company structures, using the dividend policy and the issue of subordinated loans as the main levers, and the issue of guarantees and other lines of a commercial nature.

# Part D - Other information (Continued)

### 4.1.2 QUANTITATIVE INFORMATION

#### 4.1.2.1 Company's Capital: breakdown

(€ '000)

| VALUE/ITEM | 12.31.2017 | 12.31.2016 |
|---|---|---|
| 1. Share capital | 414,348 | 414,348 |
| 2. Share premium | 951 | 951 |
| 3. Reserves | 271,156 | 245,222 |
| - of profits | 271,156 | 245,222 |
| a) legal | 32,060 | 27,736 |
| b) statutory | 185 | 185 |
| c) treasury shares | - | - |
| d) other * | 238,911 | 217,301 |
| 4. (Treasury shares) | - | - |
| 5. Revaluation reserve | (368) | (466) |
| - Available-for-sale financial assets | - | - |
| - Property, plant and equipment | - | - |
| - Intangible assets | - | - |
| - Hedges of foreign investments | - | - |
| - Cash flow hedges | - | - |
| - Exchange differences | - | - |
| - Non-current assets and disposal groups classified as held for sale | - | - |
| - Special revaluation laws | - | - |
| - Actuarial gains (losses) related to defined benefits plans | (368) | (466) |
| - Valuation reserves from investments accounted for using the equity method | - | - |
| 6. Equity instruments | - | - |
| 7. Profit (Loss) for the year | 61,003 | 86,480 |
| **Total** | **747,090** | **746,535** |

* The item "Other reserves" includes all non distributed profits.

## 4.2 Own Funds and Banking Regulatory Ratios

### *4.2.1 Own Funds*

### 4.2.1.1 QUALITATIVE INFORMATION

Own funds represent the primary safeguard against risks associated with the activity of financial intermediaries and the main benchmark for prudential institutions and for Supervisory Authority assessments. The regulations dictate the methods for determining own funds, the calculation criteria and limits of the composing items.

Own funds as at 31 December 2017 are determined in accordance with the rules laid down in EU Regulation No. 575/2013 of 26 June 2013 (CRR) and the Bank of Italy in Circular No. 288 of 3 April 2015 and subsequent amendments concerning the "Supervisory Provisions for Financial Intermediaries".

Tier 1 primary capital (CET 1) consists of the Company's own resources, since there are neither deductions nor any applicable prudential filters. Tier 1 primary capital includes the entire profit for the year net of dividends to be distributed, in line with the distribution of the profit proposed by the Board of Directors to the Shareholders' Meeting.

Tier 2 capital is represented by hybrid capitalisation instruments calculated net of amortisation installments pursuant to EU Regulation No. 575/2013 of 26 June 2013 (CRR).

### 4.2.1.2 QUANTITATIVE INFORMATION

(€ '000)

| VALUE/ITEM | 12.31.2017 | 12.31.2016 |
|---|---|---|
| **A. Class 1 primary capital (Common Equity Tier 1 – CET1) before application of the prudential filter** | **704,725** | **686,194** |
| of which instruments of CET1 subject to transitory applications | 292 | 205 |
| **B. Prudential filters of CET1 (+/-)** | **-** | **-** |
| **C. CET1 gross of deductions and effects of the transitory regime (A +/- B)** | **704,725** | **686,194** |
| **D. Deductions from CET1** | **6** | **76** |
| **E. Transitory regime – Impact on CET1 (+/-)** | **-** | **-** |
| **F. Total class 1 primary capital (Common Equity Tier 1 – CET1) (C– D +/-E)** | **704,719** | **686,118** |
| **G. Class 1 added capital (Additional Tier 1 – AT1) gross of deductions and effects of the transitory regime** | **-** | **-** |
| of which instruments of AT1 subject to transitory applications | - | - |
| **H. Deductions from AT1** | **-** | **-** |
| **I. Transitional regime - Impact on AT1 (+/-)** | | |
| **L. Total class 1 added capital (Additional Tier 1 – AT1) (G - H +/- I)** | **-** | **-** |
| **M. Class 2 capital (Tier 2 – T2) gross of deductions and effects of the transitory regime** | **-** | **6,067** |
| of which instruments of T2 subject to transitory applications | - | - |
| **N. Deductions from T2** | **-** | **-** |
| **O. Transitional regime - Impact on T2 (+/-)** | **-** | **-** |
| **P. Total class 2 capital (Tier 2 –T2) (M - N +/- O)** | **-** | **6,067** |
| **Q. Total own funds (F + L + P)** | **704,719** | **692,185** |

Tier 2 capital at 31/12/2016 included subordinated loans that were repaid during 2017.

## *4.2.2 Capital adequacy*

### 4.2.2.1 QUALITATIVE INFORMATION

The level of capital adequacy is monitored regularly:
- at the end of each month, applying the rules for the preparation of quarterly reports to the Supervisory Board;
- prospectively, generally quarterly, based on the expected evolution and composition of loans and equity.

Where it is opportune to take action, options are examined with the Parent Company including, amongst others, share capital increase, particular profit distribution policy, issue of equity instruments eligible for additional capital, disposal of receivables.

# Part D - Other information (Continued)

### 4.2.2.2 QUANTITATIVE INFORMATION

(€ '000)

| CATEGORY/VALUES | NON WEIGHTED AMOUNTS 12.31.2017 | NON WEIGHTED AMOUNTS 12.31.2016 | WEIGHTED AMOUNTS/REQUIREMENTS 12.31.2017 | WEIGHTED AMOUNTS/REQUIREMENTS 12.31.2016 |
|---|---|---|---|---|
| **A. RISK ASSETS** | | | | |
| **A.1 Credit and counterparty risk** | **11,575,617** | **10,300,271** | **7,210,985** | **6,457,388** |
| 1. Standardised approach | 11,575,617 | 10,300,271 | 7,210,985 | 6,457,388 |
| 2. IRB approaches | - | - | - | - |
| 2.1 Basic | - | - | - | - |
| 2.2 Advanced | - | - | - | - |
| 3. Securisation | - | - | - | - |
| **B. CAPITAL REQUIREMENTS** | | | | |
| **B.1 Credit and counterparty risk** | | | **432,659** | **387,443** |
| **B.2 Risk of adjustment of value of receivable** | | | | |
| **B.3 Regulatory risk** | | | | |
| **B.4 Market Risk** | | | **-** | **-** |
| 1. Standard approach | | | - | - |
| 2. Internal models | | | - | - |
| 3. Concentration risk | | | - | - |
| **B.5 Operational risk** | | | **28,514** | **32,314** |
| 1. Basic indicator approach (BIA) | | | 28,514 | 32,314 |
| 2. Traditional standardised approach (TSA) | | | - | - |
| 3. Advanced measurement approach (AMA) | | | - | - |
| **B.6 Other capital requirements** | | | **-** | **-** |
| **B.7 Other calculation items** | | | **-** | **0** |
| **B.8 Total capital requirements** | | | **461,173** | **419,757** |
| **C. RISK ASSETS AND CAPITAL RATIOS** | | | | |
| C.1 Weighted risk assets | | | 7,687,754 | 6,997,349 |
| C.2 Class 1 primary capital/Weighted risk assets (CET 1 capital ratio) | | | 9.17% | 9.81% |
| C.3 Class 1 capital/Weighted risk assets (Tier 1 capital ratio) | | | 9.17% | 9.81% |
| C.4 Total own funds/Risk weighted assets (Total capital ratio) | | | 9.17% | 9.89% |

The weighted risk assets, shown in item C.1, also used in the calculation of the coefficients reported in items C.2, C.3 and C4, are calculated as the product of the total prudential requirement (item B.8) and 16.67 (inverse of the mandatory minimum coefficient equal to 6%)..

## Section 5 - Other comprehensive income statement

(€ '000)

| ITEMS | | BEFORE TAX | INCOME TAX | AFTER TAX |
|---|---|---|---|---|
| 10 | Profit (Loss) for the year | 87,116 | (26,113) | 61,003 |
| | Other comprehensive income | | | |
| 20 | Property, plant and equipment | - | - | - |
| 30 | Intangible assets | - | - | - |
| 40 | Defined benefit plans | 134 | (37) | 97 |
| 50 | Non-current assets held for sale | - | - | - |
| 60 | Valuation reserves from investments accounted for using the equity method | - | - | - |
| | Other comprehensive income with reclassification through profit or loss | | | |
| 70 | Hedges of foreign investments: | - | - | - |
| | a) fair value changes | - | - | - |
| | b) reclassifications through profit or loss | - | - | - |
| | c) other variations | - | - | - |
| 80 | Exchange differences: | - | - | - |
| | a) changes in values | - | - | - |
| | b) reclassifications through profit or loss | - | - | - |
| | c) other variations | - | - | - |
| 90 | Cash-flow hedging: | | - | - |
| | a) fair value changes | - | - | - |
| | b) reclassifications through profit or loss | - | - | - |
| | c) other variations | - | - | - |
| 100 | Available-for-sale financial assets: | - | - | - |
| | a) changes in values | - | - | - |
| | b) reclassifications through profit or loss | - | - | - |
| | - due to impairment | - | - | - |
| | - gains/losses on disposals | - | - | - |
| | c) other variations | - | - | - |
| 110 | Non-current assets held for sale: | - | - | - |
| | a) fair value changes | - | - | - |
| | b) reclassifications through profit or loss | - | - | - |
| | c) other variations | - | - | - |
| 120 | Valuation reserves from investments accounted for using the equity method | - | - | - |
| | a) fair value changes | - | - | - |
| | b) reclassifications through profit or loss | - | - | - |
| | - due to impairment | - | - | - |
| | - gains/losses on disposals | - | - | - |
| | c) other variations | - | - | - |
| 130 | Other comprehensive income after tax | - | - | - |
| 140 | Comprehensive income (Item 10+130) | 87,250 | (26,150) | 61,100 |

## Section 6 - Related Parties Transactions

The types of related parties, as defined by IAS 24, of importance to UniCredit Factoring, include:

- the parent company; subsidiary companies of the parent company;
- UniCredit Factoring and the parent company's "key management personnel";
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members; pension funds for the benefit of Group employees.

Key management personnel of the parent company or UniCredit Factoring are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly. Including the Chief Executive Officer and the other members of the Board of Directors and the other members of the Executive Management Committee.

# Part D - Other information (Continued)

### 6.1 information on compensation for managers with strategic responsibilities

Below is information on the remuneration paid to managers with strategic responsibilities of UniCredit Factoring, as required by IAS 24, in line with Bank of Italy guidelines which provide for the inclusion of the remuneration paid to the members of the Board of Statutory Auditors.

(€ '000)

| COMPENSATION OF MANAGERS WITH STRATEGIC RESPONSIBILITIES | 2017 | 2016 |
|---|---|---|
| a) short term benefits | 1,383 | 1,582 |
| b) post retirement benefits | - | - |
| *of which under defined benefit plans* | - | - |
| *of which under defined contribution plans* | - | - |
| c) other long term benefits | - | - |
| d) termination benefits | - | - |
| e) sharebased payment | - | - |
| **Total** | **1,383** | **1,582** |

### 6.2 Receivables given in favour of Directors and Auditors

The Company has not given any receivables or guarantees in favour of Directors or Auditors.

### 6.3 Related Parties Transactions

In order to ensure constant compliance with the laws and regulations currently in force regarding corporate disclosures on transactions with related parties, UniCredit Factoring identifies these transactions.

In this context, in accordance with the directives issued by the Parent Company, the criteria for identifying transactions concluded with related parties were defined, in line with the indications provided by Consob.

These transactions were carried out, as a rule, under conditions similar to those applied for transactions concluded with independent third parties.

All intra-group transactions were carried out based on assessments of mutual economic benefit, and the applicable terms and conditions were established in accordance with fair dealing criteria, with a view to the common goal of creating value for the entire UniCredit Group.

The same principle was applied to intra-group services, as well as the principle of charging on a minimal basis for these services, solely with a view to recovering the respective production costs.

The following synergies have been activated and are producing positive results:
- the premises in No.5 via Livio Cambi, Milan, the company's registered office, have been leased to Unicredit Business Integrated Solutions S.c.p.A., the Real Estate service, which also carries out its ordinary and extraordinary maintenance;
- Branches of UniCredit S.p.A. carry out development activities on behalf of the Company on the basis of the agreement signed in 2011 and subsequently extended in 2013 between UniCredit Factoring S.p.A. and the CIB and CCI Divisions;
- the Parent Company manages personnel administration, mailing activities, activities relating to special laws with an internal contact person, soft collection activities aimed at recovering overdue and unpaid receivables and back office activities with the Business Transformation service, Unicredit Business Integrated Solutions S.c.p.a. belonging to the Group, provides technological outsourcing and operational activities related to purchases. The joint implementation of these activities provides for correct use of specific levels of professionalism;
- auditing activity, in line with Group policies, is entrusted to the Group Audit Compliance, Operational, Credit & Finance Risks (Internal Audit of Unicredit S.p.A) on the basis of a detailed service contract signed between UniCredit Factoring SpA and UniCredit SpA, a representative of Group Audit Compliance, Operational, Credit & Finance Risks, operating exclusively within the Company.

The following table sets out the assets, liabilities and guarantees as at 31 December 2017, in addition to the yearly financial figures, for each group of related parties. The main item represents loans and current accounts in Euros and other currencies for transaction purposes.

## Related parties disclosure

(€ '000)

| | AMOUNTS AS AT 12.31.2017 | | | |
|---|---|---|---|---|
| | PARENT COMPANY | SUBSIDIARY COMPANIES OF THE PARENT COMPANY | MANAGERS WITH STRATEGIC RESPONSIBILITY | OTHER RELATED PARTIES |
| STATEMENT OF FINANCIAL POSITION | | | | |
| Receivables from credit institutions | 3,993 | 6,880 | - | - |
| Receivables from financial institutions | - | - | | - |
| Receivables from customers | - | - | - | - |
| Other assets | 1,390 | 1,277 | - | - |
| **Total assets** | **5,383** | **8,157** | **-** | **-** |
| Payables to credit agencies | 9,026,626 | - | - | - |
| Securities and financial liabilities | - | - | - | - |
| Other liabilities | 2,447 | 8,743 | - | - |
| **Total Liabilities** | **9,029,073** | **8,743** | **-** | **-** |
| **Guarantees issued and commitments** | | | | |
| INCOME STATEMENT | | | | |
| Interest income and similar revenues | 36 | (31) | - | - |
| Interest expense and similar costs | (3,079) | (3,426) | - | - |
| Fee and commission income | - | 46 | - | - |
| Fee and commission expense | (6,024) | (439) | - | - |
| Administrative expenses: other staff costs | (3,913) | (115) | (806) | - |
| Administrative expenses: other administrative expenses | (2,653) | (9,225) | - | - |
| Other operating income | - | - | - | - |
| **Total income statement** | **(15,633)** | **(13,190)** | **(806)** | **-** |

Finally, for the purposes of the provisions in force, it is noted that during 2017 no atypical and/or unusual transactions were carried out with related parties nor with subjects other than related parties which, due to their significance/relevance, could give rise to doubts regarding the safeguarding of the company's capital.

# Section 7 - Other information details

## Part I) Share-based Payments

## A. QUALITATIVE INFORMATION

### 1. Description of payment agreements based on own equity instruments

*1.1 Outstanding instruments*

The following types of instrument are identified as part of medium to long-term incentive plans for employees:

- Equity-settled share based payments.

The first category includes the following:

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group with the right to UniCredit stock options;
- **Group executive incentive system** that offers to eligible Group executives a variable remuneration for which payment will be made within five years. The beneficiaries will receive a cash payment and/or in shares, in relation to meeting performance conditions (different from market conditions) in accordance with the regulations of the plans;
- **Group incentive system** (Bonus Pool) offers a selected group executives and key personnel identified according to regulatory requirements, a bonus structure consisting of immediate payments (following performance evaluation) and deferred payments, in cash and in UniCredit ordinary shares, over a period of between 1 and 6 years. This payment structure ensures the interests of shareholders is aligned and is subject to the verification of malus clauses (which apply where specific profitability, equity and liquidity thresholds are not reached at Group level and/or at country/division level) and clawback (as far as legally applicable) according to the provisions of the plan regulations (both represent maturity conditions different from market conditions);
- **Employee share ownership plan (ESOP - Let's share)** offers eligible Group employees the opportunity to purchase UniCredit ordinary shares with the advantage of providing for the allocation of a number of free shares ("free shares") or rights to receive them measured by the number of shares purchased by each investor ("investment share") during the "subscription period". The assignment of free shares is subject to compliance with the conditions established by the plan regulations;
- **Long-term incentive 2017-2019** offers selected key executives and key personnel a 100% incentive on UniCredit ordinary shares, subject to a three-year deferral and to conditions of malus and clawback, to the extent legally applicable, as established by the regulations of the plan. The plan is structured over a 3-year performance period, in line with the new UniCredit strategic plan and provides for the assignment of a single "premium" based on access conditions of profitability, liquidity, capital and risk position and on a set of performance conditions focused on Group targets, aligned with the Transform 2019 plan.

# Part D - Other information (Continued)

It should also be noted that, consistent with the provisions contained in the VII amendment of Bank of Italy circular 285 of 19 November 2014 (remuneration and incentive policies and practices), for the liquidation of part of the so-called golden parachute (severance) in favour of the most important personnel equity settled share based payments are used represented by deferred payments in UniCredit ordinary shares not subject to vesting conditions.

### *1.2 Measurement model*

#### 1.2.1 Stock Option

The Hull and White evaluation model has been adopted to measure the economic value of Stock Options.
This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:
- reaching a Market Share Value equals to an exercise price- multiple (M);
- probability of beneficiaries' early exit (E) after the end of the Vesting Period.

Economic effects and Net Equity will be accrued during the instruments' vesting period.
No new Performance Shares' Plans have been granted during 2016.

#### 1.2.2 Group Executive Incentive System

The amount of the incentive will be determined on a basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the Employee's relevant Manager shall be expressed as a percentage, from a minimum of 0% to a maximum of 150% (non market vesting conditions). This percentage, adjusted by the application of a risk/opportunity factor - Group Gate - at first payment, multiplied by the Bonus Opportunity will determine the effective amount that will be paid to the beneficiary.
Economic and Net Equity effects will be accrued on a basis of instrument' vesting period.

#### 1.2.3 Group Executive Incentive System (Bonus Pool)

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.
Economic and Net Equity effects will be accrued on a basis of instrument' vesting period.

#### Group Executive Incentive System "Bonus Pool 2015" - Shares

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.
The plan is structured in clusters, each of which can be from two to three installments of payments in deferred shares according to the time interval defined by the plan regulations.

| | PERFORMANCE SHARES GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2015 | | | |
|---|---|---|---|---|
| PERFORMANCE SHARES | PAYMENT (2018) | PAYMENT (2019) | PAYMENT (2020) | PAYMENT (2021) |
| Assigned date Economic Value Bonus Opportunity | 21-Jan-2015 | 21-Jan-2015 | 21-Jan-2015 | 21-Jan-2015 |
| Date of definition number shares - Date of Board resolution | 15-Mar-2016 | 15-Mar-2016 | 15-Mar-2016 | 15-Mar-2016 |
| Vesting Period Start Date | 01-Jan-2015 | 01-Jan-2015 | 01-Jan-2015 | 01-Jan-2015 |
| Vesting Period End Date | 31-Dec-2015 | 31-Dec-2017 | 31-Dec-2018 | 31-Dec-2019 |
| UniCredit Share Market Price [€] | 3.411 | 3.411 | 3.411 | 3.411 |
| Economic Value of Vesting conditions [€] | -0.261 | -0.492 | -0.814 | -1.175 |
| **Performance Shares' Fair Value per unit @ Grant Date [€] *** | **3.150** | **2.919** | **2.597** | **2.236** |

* The same unit values are used to quantify the charges related to share-based payments for the settlement of golden parachute.

#### Group Executive Incentive System 2016 (Bonus Pool)

The new 2016 incentive system is based on a bonus pool approach, in line with regulatory requirements and market practices, which defines:
- sustainability, directly connected with company results, and alignment with the relevant risk categories, through the use of specific indicators that reflect the reference framework for risk appetite (Risk appetite framework);
- the link between the bonuses and the organisational structure, lowering the bonus pools at country/division level with further revision at Group level;
- allocation of bonuses to beneficiaries identified as Executives and other relevant personnel, identified on the basis of the criteria provided by the European Banking Authority (EBA) Regulation, and to other specific roles, based on local regulatory requirements;
- a payment structure distributed over a period of 6 years and made up of a mix of money and shares, aligned with the most recent regulatory requirements laid down by Directive 2013/36/EU (CRD IV).

All Profit and Loss and Net Equity effects related to the plan will be booked during the vesting period.

#### 1.2.4 Employee Share Ownership Plan (Let's Share plan for 2016)

The following tables show the measurements and parameters used in relation to Free Shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2015.

**Measurement of Free Shares ESOP 2016**

| | FREE SHARE |
|---|---|
| Date of Free Shares delivery to Group employees | 29-Jul-2016 |
| Vesting Period Start Date | 29-Jul-2016 |
| Vesting Period End Date | 29-Jul-2017 |
| **Free Shares' Fair Value per unit [€]** | **2.058** |

All Profit and Loss and Net Equity effects related to free shares will be booked during the vesting period (except adjustments, according to Plan Rules, that will be booked during the next closing after vesting period).
The Let's Share plan for 2016 provides for the use of shares found on the market. To this end the Participants give a mandate to an intermediary to purchase the shares to be deposited in an account held in their name.

## QUANTITATIVE INFORMATION

### 2. Other information

*Effects on Profit and Loss*

All Share-Based Payment granted after 7 November 2002 which vesting period ends after 1 January 2005 are included within the scope of the IFRS2.

# Attachments to the Notes to the Financial Statements


| | | |
|---|---|---|
| **Attachment 1:** | **Statement of Financial Position and condensed Income Statement of the parent company UniCredit S.p.A. at 31.12.2016** | **108** |
| **Attachment 2:** | **Linking of Income Statement items with those of reclassified Income Statement** | **109** |
| **Attachment 3:** | **Advertising of fees for the external auditors** | **110** |

# Attachment 1

## UniCredit S.p.A.

### Condensed statement of financial position at 12.31.2016

(Values in Euro millions)

| | |
|---|---|
| Assets | |
| Cash and cash equivalents | 1,852 |
| Financial assets held for trading | 14,026 |
| Receivables from banks | 22,349 |
| Receivables from customers | 213,237 |
| Financial investments | 108,374 |
| Hedging instruments | 8,160 |
| Property, plant and equipment | 2,341 |
| Goodwill | - |
| Other intangible assets | 5 |
| Tax assets | 12,005 |
| Non-current assets and disposal groups | 7,439 |
| Other assets | 4,400 |
| **Total assets** | **394,188** |
| | |
| Liabilities and shareholders' equity | |
| Payables to banks | 44,381 |
| Deposits from customers and securities | 279,648 |
| Financial liabilities held for trading | 14,557 |
| Financial liabilities at fair value | 2,103 |
| Hedging instruments | 8,920 |
| Provisions for risks and charges | 3,407 |
| Tax liabilities | 162 |
| Liabilities included in disposal groups classified as held for sale | 3 |
| Other liabilities | 8,310 |
| Shareholders' equity: | 32,697 |
| *- Capital and reserves* | *43,718* |
| *- Available-for-sale assets fair value reserve and cash-flow hedging reserve* | *439* |
| *- Net profit* | *-11,460* |
| **Total liabilities and Shareholders' Equity** | **394,188** |

### Reclassified Income Statement - Year 2016

(Values in Euro millions)

| | |
|---|---|
| Net interest | 3,693 |
| Dividends and other income from equity investments | 1,173 |
| Net fees and commissions | 3,574 |
| Net trading, hedging and fair value income | 360 |
| Net other expenses/income | 110 |
| **OPERATING INCOME** | **8,910** |
| Staff costs | -3,298 |
| Other administrative expenses | -2,839 |
| Recovery of expenses | 586 |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | -134 |
| **Operating costs** | **-5,685** |
| **OPERATING PROFIT (LOSS)** | **3,225** |
| Net write-downs of receivables and provisions for guarantees and commitments | -10,379 |
| **NET OPERATING PROFIT (LOSS)** | **-7,154** |
| Net provisions for risks and charges | -1,501 |
| Integration costs | -1,163 |
| Net income from investments | -1,444 |
| **PROFIT BEFORE TAX** | **-11,262** |
| Income tax for the year | -198 |
| Impairment of goodwill | 0 |
| **NET PROFIT** | **-11,460** |

# Attachment 2

## Linking of Income Statement items with those of reclassified Income Statement

| | ITEMS ON THE STATEMENT OF FINANCIAL POSITION |
|---|---|
| Net interest | Net interest margin |
| Dividends and other income from equity investments | item 50 |
| Net fees and commissions | Net fees and commissions |
| Trading and hedging income/expense | item 60 |
| Net other expenses/income | item 160 |
| **OPERATING INCOME** | **Sum** |
| Staff costs | item 110 a) excluding integration charges |
| Other administrative expenses | item 110 b) |
| Value adjustment to property, plant and equipment and intangible fixed assets | item 120 |
| **Operating costs** | **Sum** |
| **OPERATING PROFIT (LOSS)** | **Sum** |
| Net write-downs of receivables | item 100 a) |
| **NET OPERATING PROFIT (LOSS)** | **Sum** |
| Net provisions for risks and charges | item 150 |
| Integration costs | of which item 110 a) |
| **GROSS PROFIT** | **Sum** |
| Income tax for the year | item 190 |
| **NET PROFIT** | **Sum** |

# Attachment 3

## Advertising of fees for the external auditors

Pursuant to the provisions of Art. 149-duodecies of the Consob Issuers' Regulation, the table below provides information regarding the amounts paid to the independent auditors Deloitte & Touche S.p.A. and to companies belonging to the same network for the following services:

1. External Auditing which includes:
   - Checking activities of the annual accounts of the companies, to give a professional opinion;
   - Checking the interim accounts.

2. Certification services that include assignments where the auditor evaluates a specific element, the determination of which is made by the area responsible person, through appropriate criteria, in order to express a conclusion that provides the recipient with a degree of reliability. This category also includes services related to the control of regulatory accounting.

3. Other services that include tasks of a residual nature and which must include an appropriate level of detail. By way of example and not exhaustive this can include: due diligence accounting - tax - legal - administrative, procedure concordant and advisory services to the appointed manager.

The fees shown in the table, for 2017, are those contracted, including any indexing (not including out-of-pocket expenses, any supervisory contribution and VAT).

As for the aforementioned, recognised fees and any secondary auditors or subjects of the respective networks are not included.

(€ '000)

| SERVICE TYPE | SERVICE PROVIDER | SERVICE RECIPIENT | COMPENSATION (EURO) |
|---|---|---|---|
| **Audit:** | | | |
| - Financial Statement of the year | Deloitte & Touche S.p.A. | Unicredit Factoring S.p.A. | 66 |
| - Limited procedures for verification of the half-yearly accounting situation | Deloitte & Touche S.p.A. | Unicredit Factoring S.p.A. | 16 |
| **Certification, letters of comfort, etc.** | Deloitte & Touche S.p.A. | Unicredit Factoring S.p.A. | 51 |
| **Tax advisory services** | Deloitte & Touche S.p.A. | Unicredit Factoring S.p.A. | - |
| **Other services** | | | - |
| **Total** | | | **133** |

# Board of Statutory Auditors' Report

**Report of the Board of Statutory Auditors pursuant to Art. 2429 c.c.**

Ordinary Shareholders' Meeting of 11 April 2018 Shareholders, pursuant to and for the purposes of Art. 2429 of the Italian Civil Code. We give you an account of the supervisory activity carried out during the year ended 31 December 2017, stating that the Board of Statutory Auditors has carried out checking activities on the administration, pursuant to Art. 2403, co. 1, c.c., while the task of accounting checking, pursuant to art. 2409 bis of the Italian Civil Code, has been assigned by the Shareholders' Meeting to the auditing firm Deloitte & Touche s.p.a. ("Deloitte").

During the year ended 31 December 2017, we performed the supervisory activities required by law.

More specifically, we verify that:

- We have monitored compliance with the law and with the articles of association, as well as compliance with statutory provisions governing the functioning of company bodies;
- we have taken part in the meetings of the Board of Directors and taken information that would allow us to certify the correct performance of the company's business. We can therefore attest that the transactions resolved and implemented during the year comply with the law and the company bylaws and are not manifestly imprudent, risky, potentially conflict to interests or in conflict with the resolutions passed by the Shareholders' Meeting or likely to jeopardise the integrity of company assets;
- due to information obtained from the managers of the various corporate departments and from the company in charge of the accounting checks, both written communication and during the audits performed during the year, as well as the examination of company documents, we have acquired knowledge and supervised on the organisational structure of the company and on the adopted internal control and administrative-accounting systems, considered both adequate and reliable in order to effectively manage the management facts and their correct representation;
- no atypical or unusual transactions were carried out with group companies, with third parties or with related parties. It is confirmed in the notes to the financial statement, that during the year significant related parties transactions were carried out, but concluded at market conditions;
- we have followed the activity of the accounts auditing through meetings with representatives of Deloitte, who have illustrated their performed checks and related outcomes.

No facts for review emerged from the auditing activity, nor were there any conditions requiring specific investigations;

- during the course of 2017 the auditing company DELOITTE & TOUCHE S.p.a. performed exclusively legal auditing activities.
  On account of the statement issued by the Legal Auditing Firm, the Board does not believe that critical conditions exist regarding the independence of DELOITTE & TOUCHE S.p.a.
- we carried out the Supervisory Body functions pursuant to Legislative Decree 231/2001 and verified that there was no conduct out of line or not complying with the principles and provisions contained in Model 231.

With regard to the financial statements for the year closing on 31/12/2017, which shows an operating profit of Euros 61,003,052, we report that, since we are not in charge of the accounting control, we monitored the general approach to financial statements and compliance with the law regarding production and structure and we report the following:

- we have analysed and monitored the application of accounting standards and specify that these financial statements have been prepared in accordance with the IAS/IFRS international accounting standards issued by the IASB, approved by the European Commission, and the relevant interpretations of the International Financial Reporting Interpretation Committee (IFRIC).
- we have monitored the general approach and compliance with the law with regard the production and structure, both with regard to the Notes to the Financial Statement and the Report on Operations;
- we have verified compliance with the law regarding the preparation of the Report on Operations and we have taken note of the opinion expressed by the Auditing company pursuant to Art. 14, paragraph 2, letter e) of Legislative Decree 39/10.
- we have verified that the Report corresponds to the facts and information of which we are aware as a result of the performance of our duties;
- we have acknowledged the activity carried out by the company in charge of the statutory audit of the accounts, DELOITTE & TOUCHE S.p.a., to ascertain the correct preparation of the financial statements, in accordance with the law and on the basis of the recognition of transactions carried out during the year.
  In the course of the supervisory activities described above, no events were detected that would require mention in this report.

We also advise that:

- no complaints were received pursuant to Art. 2408 C.C., nor submitted by third parties;
- we have no knowledge of other facts from Deloitte to be submitted for the attention of the Shareholder's Meeting.

On the basis of the above, and having acknowledged that the aforementioned independent auditors have issued the prescribed "Independent Auditor's Report" without notice pursuant to Art. 14 of Legislative Decree 39/2010, within our terms of competence we do not find any impediment for the approval of the Financial Statements as at 31 December 2017 and to the proposed allocation of the profit for the year as formulated by the Board of Directors.

Milan, 23 March 2018

Board of Statutory Auditors
Vincenzo Nicastro
Federica Bonato
Roberto Bianco

# Transform operating model.

The transformation of our operating model is fully on track, including cost discipline and efficiency measures to reduce the cost income ratio. Our FTE and branch reductions are ahead of schedule – as we further improve on customer focus, services and products. The digital and IT transformation is fully on track, investments supporting the business transformation with digitalization as a key enabler.

# Auditing Firm's Report

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**INDEPENDENT AUDITORS' REPORT**
**PURSUANT TO ARTICLES 14 AND 19-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholder of**
**UniCredit Factoring S.p.A.**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of UniCredit Factoring S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its 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 no. 136/15.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of 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 no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of UniCredit Factoring S.p.A. are responsible for the preparation of the report on operations of UniCredit Factoring S.p.A. as at December 31, 2017 including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of UniCredit Factoring S.p.A. as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of UniCredit Factoring S.p.A. as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Marco De Ponti**
Partner

Milan, Italy
March 23, 2018

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

# Maximise commercial bank value.

We continue to maximise commercial bank value, with the ongoing transformation resulting in higher productivity. Our activities in Western Europe are benefitting from the revamped network with new service models for retail and SME customers as well as a strong multichannel strategy. We have further strengthened our leadership positions in CEE and CIB, while keeping a strong focus on risk.

# Ordinary Shareholders' Meeting resolutions

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Due to the favourable vote of the sole shareholder UniCredit S.p.A., the Shareholders' Meeting has resolved to:

1. approve the financial statements as at 31.12.2017 under the terms proposed;

2. approve the allocation of profit for the year 2017, equal to Euros 61,003,052, under the following terms:

| | |
|---|---|
| Euros | 3,050,153 to the Legal Reserve |
| Euro | 15,393,899 to the Other Reserves |
| Euro | 42,559,000 to the shareholders on the basis of Euro 0.53 per share; |

3. appoint Daniela Ferrari as a Director of UniCredit Factoring with a mandate that will expire jointly with that of the other Directors in office and therefore on approval of the financial statements as at 31 December 2018;

4. the assignment of the statutory audit of the UniCredit Factoring accounts for financial years 2017 - 2021 to the Independent Auditor Deloitte & Touche S.p.A.;

5. appoint Michele Paolillo as Alternate Auditor of UniCredit Factoring until the expiry of the current Board of Statutory Auditors, and then until the Shareholders' Meeting that will decide on the financial statements for the year ended 31.12.2018*.

* Point not included in the Agenda referred to in the letter convening the Shareholders' Meeting, but not dealt with in the latter in agreement with the Shareholder.

# Our Products

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## Assignment of With Recourse Receivables

This product is aimed at companies that want to outsource the management of commercial receivables and entrust them to a specialist and with the intention of financing their working capital, especially during expansion phases and in times of turnover growth.
On the assignment of with recourse receivables, UniCredit Factoring acquires the commercial receivables of the assignor company from its borrowers and manages them on an administrative level and deals with collection. At the request of the assignor, UniCredit Factoring can advance the consideration of the assigned receivables, normally up to a maximum of 80% of the relative amount.
In operations of with recourse receivable assignment the insolvency risk of the borrower remains with the assignor.

## Assignment of Without Recourse Receivables

This product is aimed at companies that want to outsource the management of commercial receivables and want a guarantee against the insolvency of the borrower, with the intention of financing their working capital, especially during expansion phases and in times of turnover growth.
On the assignment of without recourse receivables, UniCredit Factoring acquires the commercial receivables of the assignor company from its borrowers and manages them on an administrative level, deals with collection and assumes the risk of insolvency of the borrower, under the conditions of and within the contractual limits provided. At the request of the assignor, UniCredit Factoring can advance the consideration of the assigned receivables, normally up to a maximum of 80% of the relative amount.
In this kind of transaction the risk of insolvency is transferred to UniCredit Factoring.

## Assignment of Maturity Receivables

The product is aimed at medium/large industrial and/or commercial companies that want to settle financial flows and optimise their treasury management.
For Maturity Receivables Assignment transactions, UniCredit Factoring acquires the commercial receivables claimed by the assignor company from its borrowers, manages them on an administrative level and deals with collection, and credits the relative consideration to the assigning company, on pre-established dates normally linked to the maturity of the transferred receivables. At the request of the assignor, UniCredit Factoring can advance the consideration of the assigned receivables, normally up to a maximum of 80% of the relative amount.
Where required, UniCredit Factoring may also grant the borrower delayed payment terms of the transferred receivables without the burden falling on the assignor.
In this type of transaction, the risk of insolvency of the debtors may remain with the assignor (with-recourse transaction) or be assumed by UniCredit Factoring (without-recourse transactions).

## Reverse Factoring

Reverse Factoring is a solution that is aimed at large companies ("Borrowers") that have a broad and fractional portfolio of suppliers and who want to streamline and rationalise the management of their liability cycle.
Reverse Factoring allows:
- the "Borrower's" suppliers to have access to credit lines under privileged conditions, benefiting from the credit standing of the "Borrower";
- the "Borrower" to benefit from greater production chain loyalty, with consequent improvements in the quality and punctuality of supplies from its commercial counterparts. The "Borrower's "administrative procedures linked to the payment of receivables from suppliers are made uniform and simplified with UniCredit Factoring acting as a single interlocutor for all phases of their management.

Where required, UniCredit Factoring may also grant the "borrower" delayed payment terms of the transferred receivables without the burden falling on the assignor.

## Assignment of Receivables with Public Entities

The Assignment of Receivables transactions with Public Entities are aimed at companies that have loans with borrowers belonging to the Public Administration sector and who wish to outsource their management by reducing collection times and transforming fixed management costs into variable costs of credit.
UniCredit Factoring acquires the receivables claimed by the assignor company, manages them on an administrative level and deals with collection.
At the request of the assignor, UniCredit Factoring can advance the consideration of the assigned receivables, normally up to a maximum of 80% of the relative amount.
In this type of transaction, the risk of insolvency of the borrower may remain with the assignor (with recourse transaction) or be assumed by UniCredit Factoring (without recourse transaction).

## Assignment of Receivables Import - Export

Assignment of receivables Import - Export transactions are aimed at companies requiring support in the management of their loans to foreign counterparties.
In the transactions of Export Factoring, UniCredit Factoring acquires the commercial receivables claimed by the Italian assignor against some of its foreign borrowers, manages them on an administrative level and deals with their collection.
n the transactions of Import Factoring, UniCredit Factoring instead acquires the commercial receivables claimed by the foreign assignor in respect of some of its Italian borrowers, in order to manage them and their collection. Where requested, deferment of the original payment terms may also be granted to the assigned borrower.
In both types of transactions, UniCredit Factoring provides its clients with expertise in the valuation of foreign counterparties.

In both import and export transactions, the risk of insolvency of the borrower may remain with the assignor (with recourse transaction) or be assumed by UniCredit Factoring (without recourse transaction). At the request of the assignor, UniCredit Factoring can also advance the consideration of the assigned receivables, normally up to a maximum of 80% of the relative amount.
We offer global geographical coverage of transactions because we work in collaboration with the Factoring Companies belonging to the UniCredit Group or with corresponding companies that are part of the Factors Chain International (FCI) network.

## Transactions for Outright Credit Purchase

Outright Credit Purchase transactions are aimed at medium/large companies, listed on the stock exchange or belonging to multinational groups, whose financial statements are subject to IAS or US FAS Standard accounting principles, who wish to optimize the management of their treasuries and improve financial position indicators, through the definitive sale of their receivables to UniCredit Factoring, with the consequent possibility of reversing the financial assets sold (derecognition) from its financial statements.
In this kind of transaction the risk of insolvency of the borrower is transferred to UniCredit Factoring.
The contract may offer the possibility to the borrower of a deferral, for consideration, of the payment terms agreed upon during the commercial negotiation with the supplier.

## Payment on Maturity

Payment at Maturity is a product intended for companies who wish to regularise their financial flows and optimise management of their treasuries while at the same time being able to depend on certain incoming flows at the original maturities of the receivables, thus avoiding the risk of borrower's insolvency.
With payment at maturity transactions UniCredit Factoring acquires the commercial receivables claimed by the assignor from some of its borrowers and grants them the possibility to receive settlement payment on their maturity.
The uniqueness of the product is the transfer of the insolvency risk to Unicredit Factoring who make the settlement payment at the original maturity of the receivable. The risk of borrower's insolvency, in the period preceding the settlement payment, may be assumed by the assignor (With-Recourse) or by UniCredit Factoring (Non-Recourse).
The product is particularly adapted for 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 aimed at high-standing companies who wish to out-source the management of VAT receivables claimed as refunds and to obtain advance payment of such receivables whose payment time-lines may be medium/long term.
UniCredit Factoring acquires this type of tax receivables claimed by the assignor from the Revenue Agency, manages them on an administrative level and undertakes their collection. At the request of the assignor company UniCredit Factoring, normally upon receipt of the notification and up to 80% of the relevant amount, may also advance the consideration of the assigned receivables or proceed with their purchase.
In this type of transaction, the risk of insolvency of the debtors may remain with the assignor (with-recourse transaction) or be assumed by UniCredit Factoring (without-recourse transactions).

## Assignments of Tax Receivables from Direct Taxes

The Assignment of Tax Receivables from Direct Taxes is aimed at high-standing companies who wish to out-source the management of direct tax receivables, such as IRES and Robin tax, claimed as refunds and to obtain advance payment of such receivables whose payment time-lines may be medium/long term.
UniCredit Factoring acquires this type of tax receivables claimed by the assignor from the Revenue Agency, manages them on an administrative level and undertakes their collection. At the request of the assignor company UniCredit Factoring, normally upon receipt of the notification and up to 80% of the relevant amount, may also advance the consideration of the assigned receivables or proceed with their purchase.
In this type of transaction, the risk of insolvency of the debtors may remain with the assignor (with-recourse transaction) or be assumed by UniCredit Factoring (without-recourse transactions).

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

This product is aimed at high-standing companies desiring to out-source the management of receivables from incentives regulated by the DM of 6 July 2012, allocated by the Energy Services (GSE= Gestore dei Servizi Energetici) against electric power produced by non-photo voltaic, 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 on an administrative level and undertakes their collection. At the request of the assignor company UniCredit Factoring, normally upon receipt of the notification and up to 80% of the relevant amount, may also advance the consideration of the assigned receivables or proceed with their purchase.
In this type of transaction, the risk of insolvency of the debtors may remain with the assignor (with-recourse transaction) or be assumed by UniCredit Factoring (without-recourse transactions).

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