One Bank, One UniCredit.

2018

Reports and Financial Statements

Solutions that matter.

UniCredit Factoring

Solutions that matter.

UniCredit
Factoring

Corporate Officers and General Management

Board of Directors

Maurizio Guerzoni	Chairman
Giuseppe Cristiani	Vice Chairman
Roberto Fiorini	Chief Executive Officer
Pasquale Antonio De Martino Daniela Ferrari (1) Lucio Izzi Renzo Ivo Signorini	Directors
Romano Andrea Ernesto	Company Secretary

Board of Statutory Auditors

Vincenzo Nicastro	Chairman
Roberto Bianco Federica Bonato	Standing Auditors
Paolo Colombo Michele Paolillo (2)	Alternate Auditors

Head Office

Roberto Fiorini	Chief Executive Officer
Pietro Zardoni	Deputy General Manager Sales Department Manager
Elvio Campagnola	Deputy General Manager Marketing & Business Support Manager
Giordana Marconcini	Loans and Risks Department Manager
Domenico Politi	Planning, Finance and Administration Department Manager
Valentina Stranieri	Human Resources Manager
Andrea Ernesto Romano	Legal Department Manager

(1) Coopted on 6 December 2017 and appointed by the Meeting of Shareholders on 4.11.2018.

(2) Appointed by the Meeting of Shareholders on 4.11..2018 following the resignation of Mr Massimo Gatto.

UNICREDIT FACTORING S.p.A.
Sole-shareholder company owned by the UniCredit Group
Registered in the Official List of Banking Groups under No. 2008.1
Share capital: EUR 414,348,000 fully paid
Legal Reserve: Euro 35,110,625
Registered Office in Milan, Via Livio Cambi, 5
Tel. +39 02 366 71181 - Fax +39 02 366 71143
Economic Administrative Index (REA) no. 840973
Listed on the Companies Register of Milan
Tax code and VAT registration no. 01462680156
Listed at no. 42 on the Register of Financial Intermediaries pursuant to Article 106 TUB
E-mail: info.ucfactoring.it@unicreditgroup.eu
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Agenda of the Ordinary Shareholder's Meeting

UNICREDIT FACTORING S.p.A.
A UniCredit Banking Group Company
registered in the Banking Groups Register
Registered Office at Via Livio Cambi 5, Milan
Share Capital Euro 414,348,000.00 fully paid up
Milan Register of Companies no.,
Tax Code and VAT registration no. 01462680156, Economic and Administrative Index no. 840973

The shareholders are hereby called to attend the Ordinary Shareholders' Meeting on 10 April 2019, at 2.00 p.m., at the registered office located at via Livio Cambi 5, Milan on first call and, if necessary, on 11 April 2019, at the same place and time, on second call, to vote on the following

AGENDA

1. Approval of the Financial Statements as at 31.12.2018. Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors. The relative resolutions.
2. Determination of the number of directors, appointment thereof and setting of the duration of their mandate.
3. Authorisation to engage in competing activities pursuant to Article 2390 of the Italian Civil Code.
4. Determination of the annual remuneration due to the Directors for the activities carried out by them within the Board of Directors and also the Board Committees.
5. Appointment of the Board of Statutory Auditors, its Chairman and Alternate Auditors for the financial years 2019-2021, expiring on the date of the Ordinary Shareholders' Meeting called to approve the 2021 financial statements.
6. Determination of the annual remuneration due to the Statutory Auditors, including in relation to the performance of the functions of the Supervisory Board pursuant to Legislative Decree 231/2001;
7. Appointment of the auditing firm Deloitte & Touche S.p.A. to conduct the statutory audit of the accounts of UniCredit Factoring for the financial years 2018 to 2021.

Pursuant to Article 13 of the Articles of Association, holders of shares with voting rights who are entered in the shareholders' register may attend the Shareholders' Meeting.

Milan, 15 March 2019

The Chairman
Maurizio Guerzoni

Report on Operations

Notes:
Any lack of correspondence between the figures shown in the Report on Operations is solely due to roundings.

Report on Operations

Results summary

The growth of the Italian economy halted in the third quarter of the year, and the available economic indicators show that activity will decline further, in the final quarter. The halt in growth and downturn was due to a slump in internal demand, particularly in investments, and to a lesser extent in household spending. Investments by industrial and service companies are expected to decline slowly but steadily, due to political and economic uncertainty and also to international commercial tensions. As in 2017, bank loans to the private sector recorded a moderate positive annual change of 2%, +2.2% to households and businesses, with growth rates close to 3% in the final quarter (+2.7% in November) for household lending, while loans to businesses were substantially stable compared to the previous year with an annual change of approximately +1%. The factoring industry is far more dynamic than traditional lending activity, seeing a growth of 7.7% in turnover and lending rising by 8.1% compared to the end of the previous year.

In this context, against the increasing competition in the sector of short-term lending, and with pressure on its margins, the Company posted growth rates that were, overall, better than the average for the sector and reached first position in the ranking. Turnover was 56.8 billion (+43.9%), which corresponds to a market share of 23.8%, while the end of period lending was 13.8 billion, which equates to growth of 24.9% on 2017 and a market share of 23.4%. An operation completed during the year with a leading payment systems company made a significant contribution to the increase in volumes. The business has developed by preserving, and in fact improving the level of credit, which is already high.

The year-end workforce amounted to 315 FTE, with a change of +18 FTE compared to the end of the previous year. This net change reflects the departures of 39 people which were more than offset by 58 new entries, to maintain operativity and enable the reaching of challenging objectives.

The significant growth in operations, although partially offset by the general decline in spreads and commission rates due to heavy competitive pressures, has translated into rising revenues in both interest and commission margins. The Operating Income was 184 million, an increase of 6.5% compared to the previous year. Operating costs, which are up by 5.9% on the previous year, confirm a highly efficient costs to revenue ratio at 26.5%, compared to 26.6% in the previous year. However, this result was significantly affected by the net impairments on loans, which were 89.8, up by 75.2 million on the previous year 2017, mainly as a result of two positions relating to construction companies, which were largely written down. There was an opposite change in the provisions for risks and charges, which fell from 24.3 in 2017 to 3.3 million in the year just ended.

These trends influenced gross profit which stood at 42.1 million, while net profit, after tax of 12.7 million, was 29.4 million compared to 61 million in the previous year. Net of the extraordinary provisions, this net result would be higher than that for the previous year.

The main revenue indicators, apart from the stable cost/income ratio, have to some extent been affected by the trend in the main economic aggregates, with ROE falling from 8.9% to 4.2%. With regard to asset risk indicators, there was a reduction in the impact of impaired receivables against total receivables (from 0.41% to 0.31% for bad loans and from 1.99% to 1.37 for the total non-performing receivables at book values), while coverage was particularly high for bad loans (higher than 84%, also considering the transitions to partial losses) while it was up for the unlikely to pay positions, from 41.6% to 65.3%.

Shareholders' equity stands at 730 million. After deducting 70% of the profit to be distributed as dividends, this corresponds to a CET 1 of 708 million, up by 0.5% on 2017. Considering that the total weighted assets have grown by 17.8% compared to 29.6% for non-weighted assets, the CET 1 ratio has fallen from 9.31% to 7.94%.

Main financial data

Operating data

(€ million)

	FINANCIAL YEAR		CHANGE	
	2018	2017	ABSOLUTE	%
Turnover	56,835	39,505	+17,330	+43.9%
Outstanding	15,784	12,639	+3,145	+24.9%

Financial data

	FINANCIAL YEAR		CHANGE	
	2018	2017	ABSOLUTE	%
Operating income	184	172	+11	+6.5%
of which: - net interest	*120*	*114*	*+6*	*+5.3%*
- net fees and commissions	*60*	*56*	*+4*	*+7.9%*
Operating costs	-49	-46	-3	+5.9%
Operating income	135	127	+8	+6.7%
Net operating profit	45	112	-67	-59.7%
Net income	**29**	**61**	**-32**	**-51.8%**

Balance sheet data

	AMOUNTS AS AT		CHANGE	
	12.31.2018	12.31.2017	ABSOLUTE	%
Total assets	13,606	10,497	+3,109	+29.6%
Loans and receivables	13,475	10,395	+3,079	+29.6%
Equity	**730**	**747**	**-17**	**-2.3%**

Staff and branches

	DATA AS AT		CHANGE	
	12.31.2018	12.31.2017	ABSOLUTE	%
No. of Employees (Full Time Equivalent)	315	297	+18	+6.1%
Number of sales points	13	13	-	-

Profitability indices

	FINANCIAL YEAR		
	2018	2017	CHANGE
ROE [1]	4.2%	8.9%	-4.7
Cost/income	26.5%	26.6%	-0.1

Risk indices

	DATA AS AT		
	12.31.2018	12.31.2017	CHANGE
Net bad loans / Loans	0.31%	0.41%	-0.11
Net impaired loans / Loans	1.37%	1.99%	-0.62

Productivity indices

	FINANCIAL YEAR		CHANGE	
	2018	2017	ABSOLUTE	%
Turnover per employee	183.9	132.5	51.4	+38.8%
Net interest and other banking income per employee	0.59	0.58	0.02	+2.7%

Capital ratios

	DATA AS AT		CHANGE	
	12.31.2018	12.31.2017	ABSOLUTE	%
Common Equity	708	705	+3	0.5%
Total RWA	8,916	7,567	+1,349	17.8%
CET 1	7.94%	9.31%	-1.37%	

1. The capital used in the ratio is the period-end balance (excluding the profit for the period).

The external scenario

The macroeconomic picture

In the second half of 2018, the global recovery continued to lose momentum, while global GDP continued to expand at a rate of approximately 3.5%. The main source of uncertainty was the deceleration in global trade due to growing commercial tension between the USA and China, and more restrictive monetary policy expectations particularly in the United States. Political uncertainty remains one of the biggest concerns for investors, with a populist movement that is now encompassing the whole world. The American economy continued to grow at a sustained pace, particularly thanks to investments. Meanwhile the Japanese economy struggled to show signs of recovery, and this has forced the Bank of Japan to maintain an accommodating monetary policy, while growth in the United Kingdom has hitherto been immune to the growing uncertainty about Brexit. In China, economic activity remained robust, despite the increase in protectionist threats from the USA, and a government less prone to intervention.

2018 was a positive year for the US economy. With real GDP set to equal the growth of 2.9% recorded in 2015, the USA has easily done better than most advanced economies. Private sector consumption has been an important mainstay to economic growth. In particular, households' disposable income has continued to benefit from a solid employment market and the impressive fiscal stimulus, while the positive effects on wealth have continued to drive savings rates downwards. Secondly, capital expenditure has been another positive aspect of 2018, with businesses' fixed investments rising by 6.4% between the third quarter of 2017 and the third quarter of 2018. In the light of the lively macroeconomic trend the American Central Bank, the Federal Reserve, raised the official rates four times in 2018, with interest rates ending the year at 2.50%.

In the Eurozone, economic growth was moderate in the second half of 2018, following the deceleration in global trade, a sharper than expected slowdown in Germany, social disorder in France and the problematic budget negotiations in Italy. The latest economic indicators point to a modest expansion in growth, with annualised growth of GDP likely to be 1.0% in the second half of 2018, against annualised growth of 1.6% in the first half of the year. This is expected to lead to a rise of 1.8% in GDP in 2018, from 2.5% in 2017. The deterioration in foreign trade indicators suggests that foreign demand was the main cause of the weak economic activity. Conversely, internal demand (particularly private sector consumption and expenditure on fixed investments) has continued to expand at a moderate pace.

Inflation in the Eurozone reached an annual growth rate of 2.2% in October 2018 and the latest figures have confirmed that this was the start of a downwards trend - the intensity and precise duration of the slowdown will mainly be determined by fluctuating oil prices. In December, the Executive Council of the European Central Bank (ECB) confirmed the conclusion of the net purchases of assets as part of the PAA programme, in line with its June announcement. It also anticipated that it will continue to reinvest all the capital reimbursed on maturing securities within the PAA "for a prolonged period of time after the date on which the ECB's reference rates start to rise". In our view, this suggests that the re-investments may continue until at least the end of 2020.

The growth of the Italian economy halted in the second half of 2018, and the final quarter, like the previous one, ended with a negative sign. For the year just ended, GDP is expected to grow by 0.9%, impacting 2019 with a forecast of growth of 0.6% in economic activity. Many factors have affected the slowdown, including, on an international level, commercial tension between the USA and China and uncertainty about the outcome of Brexit. National factors include political uncertainty and the general climate of mistrust, which has led companies to invest less, and households to cut spending.

Banking

The recovery of credit in the Eurozone continued in 2018. The growth in lending accelerated throughout the year, reflecting the relaxed lending conditions and a good demand for loans. The annual rate of growth in private-sector lending was 3.4%, compared to just under 3% at the end of 2017. This was mainly supported by the net recovery in loans to non-financial companies, which accelerated to 4% on an annual basis, at the end of 2018. The improvement in lending aggregates was particularly buoyant in Germany and Austria, for both business loans and household lending. The rise in lending aggregates in both countries continued to reflect the recovery in household consumption and investment. Conversely, in Italy, business lending showed several signs of weakness in the final quarter, probably due to the lower demand for loans in the context of moderate growth in investments. This is partly linked to growing uncertainty about the tensions on the financial markets triggered in September by the government's public finance decisions. The growth in household lending stabilised at around 3% in line with the Eurozone.

With regard to the trend in systemic lending, in 2018 banking deposits maintained buoyant growth in all three of the Group's reference countries, and this related to both household deposits and business deposits. Interest rates, which were mainly low, continued to support the increase in sight deposits, to the detriment of medium-and long-term deposits. There do not yet seem to be any signs of any reversal of this trend in low interest rates. This reflects the European Central Bank's decision to conclude its asset purchase programme without making any changes to its forward-looking indications on interest rates. As a consequence, bank interest rates remained essentially stable in all three of the Group's reference countries until the end of 2018. In particular, interest rates on current account deposits remained close to zero. The banking spread (in other words the difference between the average rate on loans and the average rate on deposits) continued to show a stabilisation/gradual reduction throughout the year.

During 2018, the financial markets in the Eurozone experienced a return of volatility, which has risen in the wake of the greater uncertainty about the prospects for growth in the Eurozone, and about developments in Italian public finance. This was accompanied by a significant deterioration in the performance on share markets, which became more marked in Italy from May onwards, following the heightened domestic critical uncertainty. The Italian stock exchange, after posting growth of around 10% until mid-May, ended the full year down by 16% compared to December 2017. The performance of the German and Austrian stock exchanges were not dissimilar, falling by 18% and 20% respectively, compared to December 2017.

The factoring market

In an improving macroeconomic context, the factoring market has been more dynamic than banking. According to data from the trade association Assifact (sample of 29 members), turnover rose by 7.65% in 2017, while outstanding debt and financed volumes rose by 8.07% and 8.1% respectively, despite the increased payments of debts by the Public Administration which continued also in 2018.

The market is proving to be highly competitive and concentrated. According to data to the end of November, the top four competitors hold a market share of 67.3% of turnover, which is up slightly on the 66.5% in the previous year.

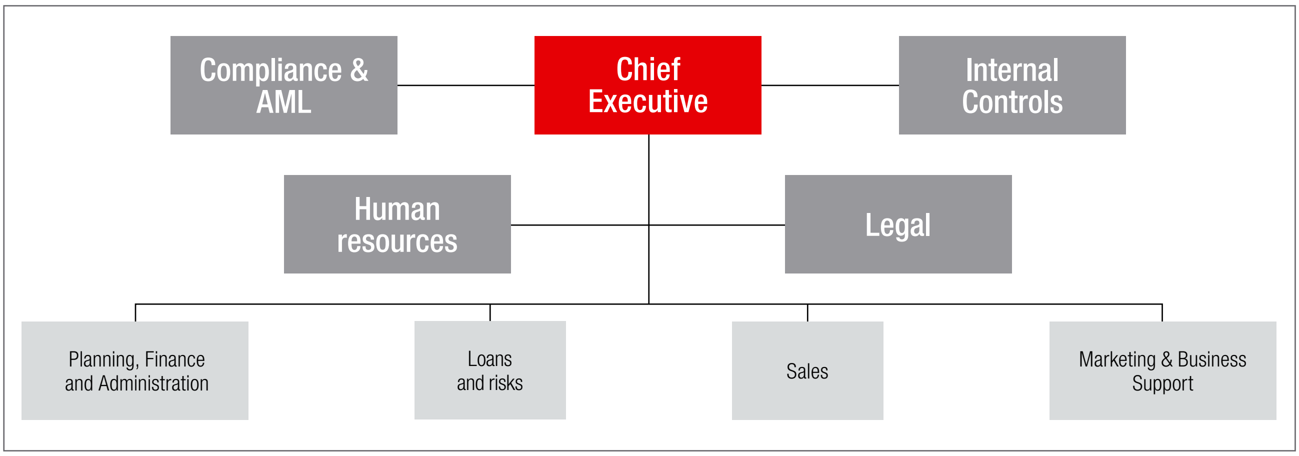
Company activities

UniCredit Factoring is an Italian company of the UniCredit Group, specialising in with-recourse and without-recourse acquisition of receivables to customers assigned by customers who can not only optimise their financial structure but can also benefit from a series of related services such as the collection, management and insurance of receivables.

The Company is active on the Italian market and also cross-border. For both types of operation, it uses Group banks and has forged a strong collaboration between its own sales network and that of the Group.

Organizational structure

During 2018 there were changes to the Company's organisational structure, mainly through a reduction in the number of units reporting directly to the CEO.



Report on Operations (Continued)

The changes introduced in 2018 related to:
- the creation of a new Marketing & Business Support division, consisting of the following departments:
  - Marketing;
  - Debtor Management;
  - Organization, Logistics and Middle Office;
- expansion of the responsibilities of the "Compliance & AML" function, with new Group-level duties being allocated as a result of the introduction of the GDPR;
- The transfer of "Communications" to the direct responsibility of the CEO (previously under the responsibility of Marketing & Business Support);
- the creation of a technical department reporting directly to Planning, Finance & Administration, which covers all the "Tax Affairs" activities.

There has been no other change to the internal structure of the other company departments.

Workforce

As of 31 December 2018, the total workforce of UniCredit Factoring was 315 FTE employees, with an overall increase of 18 FTE compared to the end of 2017.

Despite the departures involved with the large number of Redundancy Plans, the year ended with all objectives fully met, which guarantees that there will be ample coverage of vacant positions, in terms of turnover and internal movements (to other Group companies), and also in terms of external movements (resignations and retirements).

Work has continued to recruit personnel with valid professional skills, who will not only replace the employees who have left, but most importantly, will ensure that the challenging objectives set by the Company in the 2019 Transform plan can be met.

The arrival of 58 people, against 39 leavers (29 contract terminations, 10 seconded out), is clearly an indication of the large amount of work that has been done to guarantee business continuity while focusing on the business needs.

Composition by age, pay level and gender

In terms of the distribution by age, there has been an increase in the 41-50 age group, although the average age is the same as for last year: 46 years.

Breakdown by age

	12.31.2018		12.31.2017		CHANGE	
	FTE	COMP. %	FTE	COMP. %	ABSOLUTE	%
Up to 30 years	3	1.0%	3	1.0%	+0	+0.0%
From 31 to 40 years	59	18.7%	75	25.3%	-16	-21.3%
From 41 to 50 years	139	44.1%	117	39.4%	+22	+18.8%
Over 50 years	114	36.2%	102	34.3%	+12	+11.8%
Total	**315**	**100.0%**	**297**	**100.0%**	**+18**	**+6.1%**

The contract packages for Company personnel have mainly seen an increase in the percentage of Level 1 and 2 managers and in the Professional Areas, while conversely there has been a decrease in the number of Executives. The increase in the number of Level 1 and 2 Managers is mainly due to new, high level roles from within the Group, while the increase in the percentage of Professional Areas is from the introduction of staff that the Company will invest in, in order to train new professionals for the Factoring companies.

Composition by category

	12.31.2018		12.31.2017		CHANGE	
	FTE	COMP. %	FTE	COMP. %	ABSOLUTE	%
Executives	12	3.8%	14	4.7%	-2	-14.3%
Management - 3rd and 4th grade	101	32.1%	97	32.7%	+4	+4.1%
Management - 1st and 2nd grade	96	30.5%	86	29.0%	+10	+11.6%
Professional areas	106	33.7%	100	33.7%	+6	+6.0%
Total	**315**	**100.0%**	**297**	**100.0%**	**+18**	**+6.1%**

Finally, the breakdown between men and women is shown in detail below: Compared to the previous year there has been a 10% increase in the number of females in the workforce, which reflects the Group's commitment to promoting gender diversity.

Composition women/men

	12.31.2018		12.31.2017		CHANGE	
	FTE	COMP. %	FTE	COMP. %	ABSOLUTE	%
Women	111	35.2%	101	34.0%	+10	+9.9%
Men	204	64.8%	196	66.0%	+8	+4.1%
Total	**315**	**100.0%**	**297**	**100.0%**	**+18**	**+6.1%**

Performance management

With the aim of continuing to highlight the objective of rewarding performance by improving merit-based differentials, the Company has sought to adopt a more rigorous approach to performance appraisals. The aim is to look not only at targets met, but also at the ways in which objectives are reached, while drawing up personalised career and development plans. This approach is also aimed at giving managers greater control, about decisions regarding their teams.

The tools used: Group Performance Management and UniCredit Performance Management, are the best way to support this method of performance management.

Employees' Development

The commitment to training and developing personnel continued also in 2018. The aim is to ensure that all UniCredit Factoring employees can benefit from "bespoke" training, optimising Group synergies to make the most of training opportunities that will enhance our staff's professional capabilities.

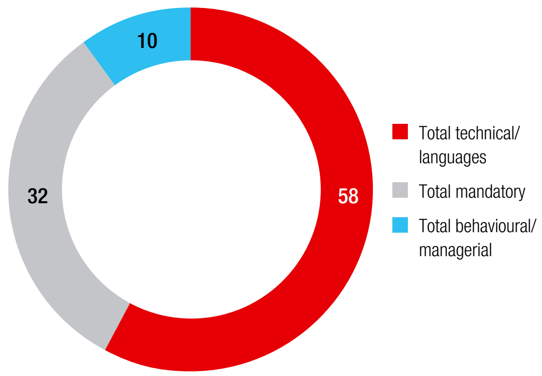
Paying great attention to the training requirements reported directly by our staff, and responding promptly to managers' requests for support with staff training requirements are two of the fundamental tasks of the HR Department. The aim is to pay increasing attention to the diverse needs of our people, so that they can quickly acquire a high level of expertise within the Company.

With an increasing focus on roles, professional development programmes, the type of people involved, and with a focus on the quality of content aimed at delivering training that can meet the needs emerging from the UniCredit Performance Management assessment and the People Survey, we have made various training opportunities available to our staff. These include requirements linked to specific targets (such as mentoring programmes, change management projects, inductions for new hires, workshops on "managerial communication"), on-the-job training such as Training Paths, structured shadowing programmes, training delivered in the English language, and soft skills training such as "Leadership for results"); "Project Management"; "Working as a team", "Diversity and Inclusion" workshops), specialised training courses (in collaboration with high-profile partners such as AssiFact, SDA Bocconi and ABI Formazione) and training days on subjects such as Compliance (Law 231, Related Parties etc.)

Below is a percentage distribution of the hours of training by type, divided between:

- technical/languages;
- behavioural/managerial;
- mandatory.

Training 2018



Diversity and inclusion

In line with the Group's commitment to promoting diversity, which we consider to be essential on every level in order to generate value for our staff, customers, communities and shareholders, we are continuing to favour gender balance, and are seeking to overcome generational differences and support people with disabilities.

Highlights in 2018 include the appointment of a new Credits & Risks Department Manager reporting directly to the CEO, and a BU Manager.

With regard to the gender pay gap, the situation has shown an improvement, with a significant reduction in the pay differential between men and women.
There is always a high level of collaboration with managers, to identify employees with potential to be included on professional development pathways.

Report on Operations (Continued)

Supporting the work-life balance
A working environment that facilitates a good balance between professional and private life has a positive impact on well-being, motivation and productivity.

This is why, by supporting the Group's initiatives, we are seeking to adopt effective, flexible solutions that will improve the work-life balance, by allowing employees flexitime where requested, as well as implementing the changes in working hours required by the national collective labour agreement and allowing part-time work and reinstatement of full-time, where requested.

The remote working contract, which was due to expire, was also renewed in 2018. Two office transfers were granted, and various requests for transfers to other Group companies were accepted, in order to reconcile our employees' personal and professional needs.

Marketing

As in recent years, 2018 saw the consolidation of our collaboration with the UniCredit Group, through the development of projects and products to support the customer offer. In particular, a new distribution model was launched, which will extend the involvement of the UniCredit sales network, in the offer of factoring services.

The training already underway in 2017, regarding integrated solutions to support working capital, was further supported and extended to new commercial and industrial sectors.

New agreements have been signed, as well as new reverse factoring contracts to support credit for manufacturing companies.

In the Public Administration sector, Unicredit Factoring continues to provide support to private sector firms working for the public sector, with particular reference to companies working in Healthcare. Considering the delicate and important nature of its reference clientele, Unicredit Factoring has set the objective of expanding its presence in the public sector by reaching new agreements with partners in order to improve and facilitate access to credit for these companies.

Its product catalogue has been enhanced to include a new Supply Chain Finance service, which allows the debtor/purchaser to manage payments to suppliers using the service, on the online platform of UniCredit Factoring. Suppliers have the option, but not the obligation, to definitively assign invoices to UniCredit Factoring, using the without-recourse formula.

2018 saw the launch of the new Web Factoring platform, which has been integrated with UniCredit's remote banking services. This has extended the offer of web-based device and information services by introducing a digital signature for assignments, and by computerising various processes that were previously dealt with on paper.

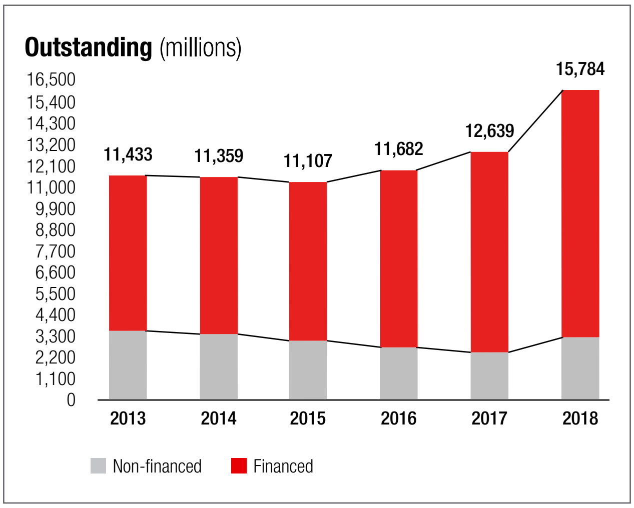
The annual customer satisfaction survey was conducted in November 2018. It confirmed the good results from the previous survey, showing that the solutions offered to customers are valid, and that Unicredit Factoring can support customers with all their credit and finance requirements.

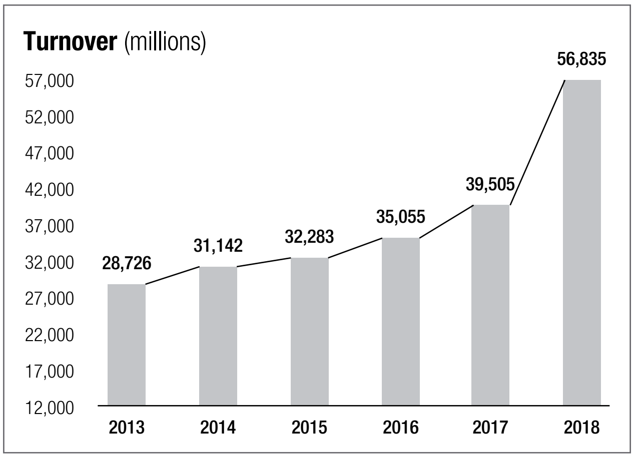
Finally, in 2018, Marketing supported the sales network in discussions with customers, by developing customised products, services and platforms, which were designed and coordinated with the support of all the relevant company departments.

Turnover and total receivables

During the year, the company acquired a turnover of 56,835 million, an increase of 43.9% on 2017. This is far higher than the increase in the market overall, also thanks to an operation completed with a leading payment systems company, started in July 2018, which made a contribution of 12,424 million. This trend has led to an increase in market share, which is now 23.8% compared to 17.8% in 2017, and the company is close to first place in the sector ranking.

The increase in turnover is reflected in the outstanding figure, which was 15,784 million, an increase of 24.9% compared to the end of 2017. This has given the Company top place in terms of market share (23.4% compared to 20.3% at the end of the previous year).





As can be seen from the table below, the without-recourse component increased in 2018, reaching 59.9% of total turnover (+8.7 percentage points in terms of share), and 57% of the outstanding total (+11.3 percentage points in terms of share). Conversely, despite increasing in absolute terms, the with-recourse share has fallen over the past year in terms of turnover (40.1%) and in terms of Outstanding (43%).

(€ million)

	12.31.2018		12.31.2017		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	ABSOLUTE	%
Turnover	**56,835**	**100.0%**	**39,505**	**100.0%**	**+17,330**	**+43.9%**
of which without recourse	*34,072*	*59.9%*	*20,226*	*51.2%*	*+13,846*	*+68.5%*
of which with recourse	*22,763*	*40.1%*	*19,278*	*48.8%*	*+3,485*	*+18.1%*
Outstanding	**15,784**	**100.0%**	**12,639**	**100.0%**	**+3,145**	**+24.9%**
of which without recourse	*8,997*	*57.0%*	*5,776*	*45.7%*	*+3,221*	*+55.8%*
of which with recourse	*6,787*	*43.0%*	*6,863*	*54.3%*	*-76*	*-1.1%*

Turnover by product has shown a clear increase in the share of Outright purchase of receivables, which has risen from 32.2% of the total in 2017 to 48.8% in 2018. The other operations have reduced in terms of share, despite increasing in absolute terms. In particular, the increase in turnover on traditional factoring was 1,878 million (+8.7% compared to 2017).

(€ million)

	12.31.2018		12.31.2017		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	ABSOLUTE	%
Turnover	**56,835**	**100.0%**	**39,505**	**100.0%**	**+17,330**	**+43.9%**
traditional	23,386	41.1%	21,508	54.4%	+1,878	+8.7%
outright purchase and discount	27,747	48.8%	12,717	32.2%	+15,030	+118.2%
sole warranty	810	1.4%	462	1.2%	+348	+75.4%
maturity	4,892	8.6%	4,818	12.2%	+74	+1.5%

The increase in turnover on Export operations has continued, in absolute terms. In 2018 this increase has not emerged in terms of the share due to the simultaneous significant increase in volumes on operations within the domestic market.

(€ million)

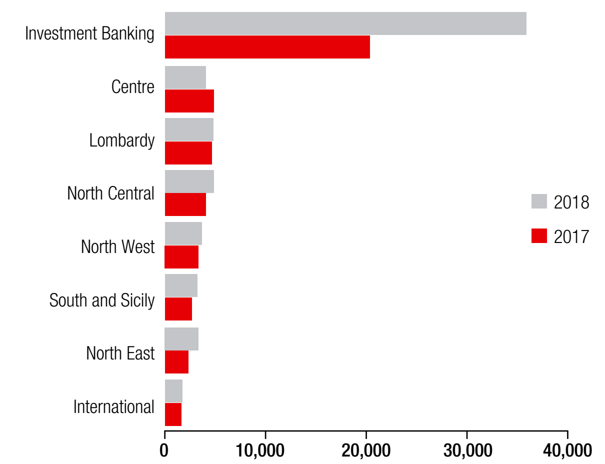
	12.31.2018		12.31.2017		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	ABSOLUTE	%
Turnover	**56,835**	**100.0%**	**39,505**	**100.0%**	**+17,330**	**+43.9%**
Domestic	50,520	88.9%	33,860	85.7%	+16,660	+49.2%
Import	525	0.9%	480	1.2%	+45	+9.4%
Export	5,790	10.2%	5,165	13.1%	+626	+12.1%

Report on Operations (Continued)

The import/export component has continued to grow. This has been encouraged by the International Area's activities, which during the year expanded its network of foreign correspondent factors, thus entering geographical areas that were not previously covered.

Finally, it can be seen that all Areas saw growth compared to the previous year, with Investment Banking alone representing 62% of total turnover.

Turnover by Area (€ million)



As regards Total Receivables, there has been a slight increase in the outstanding share, in absolute terms (+17.9%), particularly in the "no notification" component, while it has fallen in percentage terms (19.4%) due to the increase in Managed Outstanding compared to the previous year. This result was achieved thanks to levels of efficiency which are now well established in the Debtor Management Division, thanks to actions that have yielded significant results on the market in terms of average collection times.

This has been done by:
- expanding the management and monitoring of due and past due receivables
- continuing the recognition and analysis of long-outstanding receivables, and fine-tuning the recovery actions
- extending the controls on the operational management of assigned receivables

All of these actions, as implemented by the Debtor Management Division, have also reduced the risk levels on the Outstanding portfolio.

Below is a breakdown of Total Receivables by sector and area of debtor activity.

Receivables by sector of economic activity of the debtor

(€ million)

	12.31.2018		12.31.2017		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	ABSOLUTE	%
GENERAL GOVERNMENT	3,619	22.93%	3,799	30.1%	-180	-4.7%
FINANCIAL COMPANIES	2,044	12.95%	79	0.6%	+1,965	+2486.1%
NON-FINANCIAL COMPANIES	7,857	50%	6,646	52.6%	+1,211	+18.2%
FAMILIES	36	0.2%	46	0.4%	-10	-22.2%
NONPROFIT INST.TO SER.FAMIGL.	44	0.3%	114	0.9%	-70	-61.3%
REST OF THE WORLD	2,131	14%	1,931	15.3%	+200	+10.3%
OTHER	53	0%	24	0.2%	+29	+120.2%
Total loans	**15,784**	**100%**	**12,639**	**100.0%**	**+3,145**	**+24.9%**

The breakdown by area of debtor activity relates only to “non-financial companies” and “manufacturing groups”.

Receivables by branch of economic activity of the debtor

(€ million)

	12.31.2018		12.31.2017		CHANGE	
	AMOUNT	COMP. %	AMOUNT	COMP. %	ABSOLUTE	%
AGRICULTURAL PRODUCTS, FORESTRY, FISHING	17	0.21%	17	0.25%	+0	+0.0%
ENERGY PROD.	1,566	19.84%	881	13.17%	+685	+77.7%
MINERALS, NON-FISS/FERR METALS	309	3.91%	207	3.09%	+102	+49.4%
MINERALS, NOT-METALLIC MINERAL PRODUCTION	85	1.08%	82	1.22%	+3	+4.1%
CHEMICAL PRODUCTS	87	1.10%	82	1.23%	+5	+6.1%
NON-MACHINE METAL PROD.	430	5.45%	418	6.25%	+12	+2.9%
MACCHINE UFF, EDP, STRUMENTI PREC	13	0.16%	11	0.16%	+2	+18.2%
ELECTRICAL EQUIPMENT AND SUPPLIES	68	0.86%	64	0.96%	+4	+5.9%
MEANS OF TRANSPORT	735	9.31%	775	11.58%	-40	-5.1%
FOOD AND TOBACCO PROD.	315	3.99%	325	4.85%	-10	-3.0%
TEXTILE PRODUCTS, LEATHER, FOOTWEAR, CLOTHING	69	0.87%	57	0.85%	+12	+21.9%
PAPER, PRINTING PROD., PUBLISHING	118	1.50%	77	1.15%	+41	+53.6%
RUBBER AND PLASTIC PROD.	59	0.75%	49	0.72%	+10	+21.6%
OTHER INDUSTRIAL PRODUCTS	62	0.79%	37	0.55%	+25	+69.2%
BUILDING AND PUBLIC WORKS	182	2.31%	148	2.21%	+34	+23.3%
COMMERC., RECOVERY, REPAIR SERVICES	2,082	26.38%	1,965	29.36%	+117	+6.0%
HOTEL, CAFE AND RESTAURANT SERVICES	9	0.11%	11	0.17%	-2	-19.0%
INTERNAL TRANSPORT SERVICES	65	0.82%	61	0.91%	+4	+6.5%
SEA AND AIR TRANSPORT SERVICES	1	0.01%	0	0.00%	+1	+242.8%
TRANSPORT-RELATED SERVICES	116	1.47%	105	1.57%	+11	+10.7%
COMMUNICATIONS SERVICES	655	8.30%	554	8.28%	+101	+18.2%
OTHER SERVICES HELD FOR SALE	850	10.77%	768	11.48%	+82	+10.6%
TOTAL FINANCIAL CORPORATIONS AND FAM. PRODUCERS	**7,893**	**100.00%**	**6,692**	**100.00%**	**+1,201**	**+17.9%**

Receivables

The book value of the receivables was 13,475 million, an increase of 29.6% compared to the end of the previous year, partly thanks to an operation completed in 2018 with a leading payment systems company. Also in average annual terms, invested assets saw a sustained increase of more than 22.3%. The Receivables to customers segment reached 92.8% of the total receivables, and was compensated almost entirely by a reduction in Receivables to finance companies. The Receivables to credit institutions component is largely unchanged.

Loans

(€ million)

	12.31.2018		06.30.2018		12.31.2017		VAR. AS AT 12.31.2017	
	AMOUNT	COMP. %	AMOUNT	COMP. %	AMOUNT	COMP. %	ABSOLUTE	%
loans and receivables with lending institutions	331	2.5%	313	2.8%	270	2.6%	+61	+22.6%
loans and receivables with financial institutions	644	4.8%	552	5.0%	648	6.2%	-4	-0.6%
loans and receivables with customers	12,500	92.8%	10,187	92.2%	9,477	91.2%	+3,023	+31.9%
Total loans	**13,475**	**100.0%**	**11,053**	**100.0%**	**10,395**	**100.0%**	**+3,080**	**+29.6%**
of which:								
advance with recourse	*1,634*	*12.1%*	*1,308*	*11.8%*	*1,261*	*12.1%*	*+373*	*+29.6%*
advance with recourse (ex formal without reco	*1,868*	*13.9%*	*2,254*	*20.4%*	*2,499*	*24.0%*	*-631*	*-25.3%*
advances on contracts	*171*	*1.3%*	*201*	*1.8%*	*177*	*1.7%*	*-6*	*-3.4%*
receivables without recourse	*8,764*	*65.0%*	*6,543*	*59.2%*	*5,562*	*53.5%*	*+3,202*	*+57.6%*
deferred receivables + debtor financing	*731*	*5.4%*	*524*	*4.7%*	*576*	*5.5%*	*+155*	*+26.9%*
Non-Performing loans	*185*	*1.4%*	*193*	*1.8%*	*207*	*2.0%*	*-22*	*-10.6%*
other receivables	*122*	*0.9%*	*30*	*0.3%*	*113*	*1.1%*	*+9*	*+8.0%*

Report on Operations (Continued)

The growth in the aggregate can mainly be explained by the 57.6% increase in without-recourse finance, which has increased its share of the total by 5.8 points (from 53.5% to 65%), the with-recourse advances and extended finance, together with the debtor finance which has risen in line with the total, remaining at 12.1% and 5.4% of the total, respectively. Approximately 82% of the without-recourse operations take place by means of outright purchase.
In terms of asset quality, impaired receivables at book value have shown a reduction of 10.8%, falling from 207.2 million at the end of 2017 to 184.8 million at the end of 2018, thus reducing their impact on the total loans from 2% to 1.4% over the 12 months. The reduction in absolute terms is almost entirely due to the reduction in unlikely to pay positions, which fell from 59.9 to 40.7 million between the two year-end dates. Overall, bad loans and past-due, which are down by 4% and 1.5% respectively, are at the same level as the end of 2017. With regard to coverage, coverage of bad loans is 84.5%, including partial transitions to loss, while the coverage of unlikely to pay positions has increased significantly, from 41.6% to 65.3%. Coverage of past-due receivables is essentially the same as at the end of the previous year (approximately 5%). The coverage of total non-performing receivables has thus increased from 56.3% to 62.4%, also considering the partial transitions to loss.

Impaired loans

(€ million)

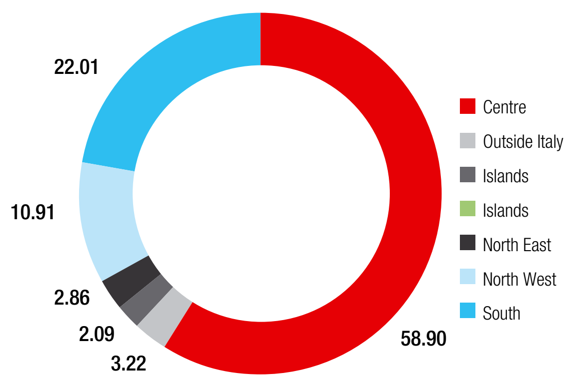
	BAD LOANS				TOTAL NON-PERFORMING RECEIVABLES	
	ON THE BALANCE SHEET	INCL. WRITE-OFFS	UNLIKELY TO PAY	PAST-DUE LOANS	ON THE BALANCE SHEET	INCL. WRITE-OFFS
Balance as at 12.31.2018						
Nominal value	151.4	265.9	117.1	108.2	**376.7**	**491.3**
as a percentage of total loans	*1.11%*		*0.86%*	*0.79%*	**2.75%**	
Write-downs	110.1	224.6	76.4	5.4	**191.9**	**306.5**
as a percentage of face value	*72.73%*	*84.48%*	*65.27%*	*5.00%*	**50.95%**	**62.39%**
Carrying amount	41.3	41.3	40.7	102.8	**184.8**	**184.8**
as a percentage of total loans	*0.31%*		*0.30%*	*0.76%*	**1.37%**	
Balance as at 12.31.2017						
Nominal value	134.6	261.6	102.5	110.0	**347.1**	**474.1**
as a percentage of total loans	*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%**
Carrying amount	43.0	43.0	59.9	104.4	**207.2**	**207.2**
as a percentage of total loans	*0.41%*		*0.58%*	*1.00%*	**1.99%**	

Bad loans at book values have fallen from 43 million in 2017 to 41.3 million in 2018 in absolute terms, and from 0.41% to 0.31% in relation to the total receivables. The coverage ratio, considering the impairments and partial transitions to loss, rose from 83.58% at the end of 2017 to 84.48% in December 2018.

In 2018, 35 new positions were transferred to non-performing status, totalling 55.9 million euros, while provisions of 44.2 million euros were made.

The breakdown of bad loans (inclusive of provisions) by geographical area shows a prevalence of positions with parties in Central and Southern Italy:

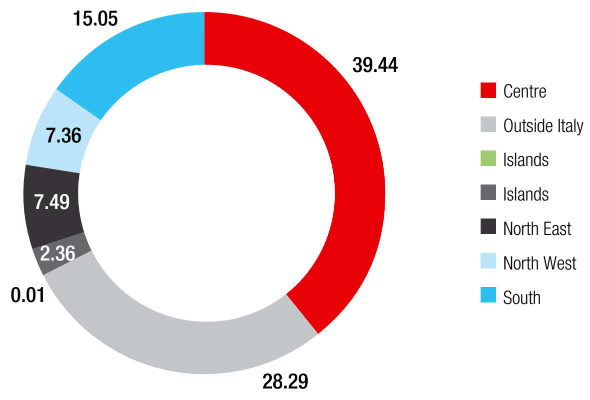
Bad loans positions by geographic area (%)



Unlikely to pay positions fell between the end of 2017 and the end of 2018, from 59.9 million to 40.7 million in absolute terms, and from 0.58% to 0.30% in relation to the total net receivables.
In 2018, 53 new positions were transferred to unlikely to pay status, totalling 82.1 million, while provisions of 58.4 million were made.

The breakdown of gross unlikely to pay positions by geographical area shows a net prevalence of the Centre and International areas.

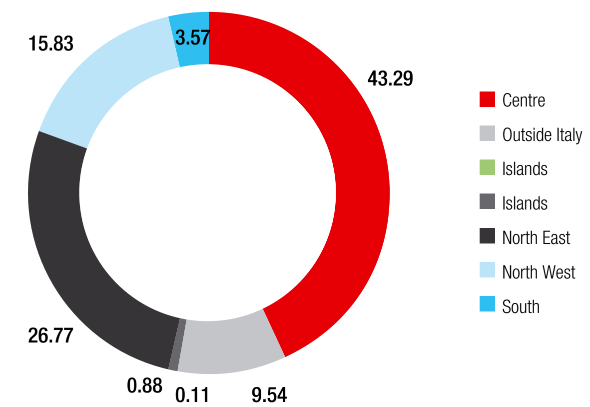
Unlikely-to-pay positions by geographic area (%)



Impaired past-due positions showed a slight reduction between the end of 2017 and the end of 2018, from 104.4 million to 102.8 million in absolute terms, standing at 0.786% in percentage terms compared to total net receivables, compared to 1% at the end of the previous year.

Past-due receivables by geographical area do not show strong concentrations in specific areas.

Past-due positions by geographic area (%)



Risk management and control methods

Credit & Risk Management is responsible for controlling the processes used to measure, monitor, govern and control risks by ensuring the optimal composition of the portfolio and limiting the related costs.

In line with the parent company's organisational model, the Company has designed its organisational structure by separating the processes for the acquisition and management of assigning customers from those for debtor management, and by entrusting the Credit & Risk Division with the responsibility for decision-making - this department is also responsible for systematic monitoring and for risk management.

Powers to grant finance, which are the responsibility of the Board of Directors, are partly delegated to the Credit Committee and the CEO, below whom there is a system of authorities for individual teams in the Credits Division.

The system of authorities and sub-authorities is periodically reviewed in agreement with the Parent Company, and is adjusted to reflect changes in the market and the company's structural requirements.

With regard to market risk, considering that the Company does not operate in financial instruments trading, the characteristics of its products and its modus operandi means that risk is kept at limited levels.

The Company's assets, which are mainly short-term entries, minimise its exposure to changes in interest rates, as in general the Company operates by:
- periodically updating the variable rates with the funding maturities;
- applying fixed rates based on the cost of funding (receivables acquired definitively).

The rates risk relating to outright purchase, beyond the short-term is usually hedged by means of interest rate swaps, which are only carried out with the Group's Investment Bank.

Similarly, the liquidity aspect is mitigated by matching the maturities of cash flows and funding.

The foreign currency accounts in the Company's assets are financed with liabilities in the same currency. This minimises the exchange risk.

For more detailed information about risks and hedging policies, see the Notes to the accounts (Part D - Section 3).

Income statement and equity

Income statement

The following income statement follows the reclassification model used by the Group, and the reconciliation with the financial statements is attached.

Condensed income statement

(€ million)

	FINANCIAL YEAR		CHANGE	
	12.31.2018	12.31.2017	ABSOLUTE	%
Net interest	120.2	114.1	6.1	+5.3%
Net commissions	59.9	55.5	4.4	+7.9%
Result from trading and hedging	0.0	0.0	0.0	-9.1%
Net other expenses/income	3.4	2.8	0.7	+23.6%
OPERATING INCOME	**183.6**	**172.5**	**11.1**	**+6.5%**
Payroll costs	-28.0	-26.2	-1.8	+6.8%
Other administrative costs	-20.5	-19.7	-0.9	+4.4%
Write-downs on intangible and tangible assets	-0.1	-0.1	-0.1	+82.2%
Operating costs	**-48.7**	**-46.0**	**-2.7**	**+5.9%**
OPERATING PROFIT (LOSS)	**134.9**	**126.5**	**8.4**	**+6.7%**
Net write-downs on loans	-89.8	-14.7	-75.2	n.s.
NET OPERATING PROFIT (LOSS)	**45.1**	**111.8**	**-66.7**	**-59.7%**
Net provisions for risks and charges	-3.3	-24.0	20.8	-86.4%
Integration costs	0.3	-0.7	1.0	n.s.
PROFIT BEFORE TAXES	**42.1**	**87.1**	**-45.0**	**-51.7%**
Income tax for the year	-12.7	-26.1	13.4	-51.4%
NET PROFIT	**29.4**	**61.0**	**-31.6**	**-51.8%**

The normalised changes, which neutralise the impact of the extraordinary interest received in the two financial years (approximately €20 million in both years), are not presented as they are substantially in line with the actual ones.
Other operating income/expenses are included in net interest and other banking income and integration costs are shown separately.

In terms of revenues there has been an increase both in the interest component, and in commission. The increase compared to 2017 partly reflects the growth in the volumes of turnover (+43.9%) and of invested assets (+22.3% in average annual terms) and is partly impacted by the generalised decline in spreads and commission rates due to strong competitive pressure and the low interest rates favoured by the ECB's expansive monetary policy. These market factors should be considered together with the effect of the restructuring of the portfolio in favour of customers with higher standing, and consequently lower pricing levels.

The operating income stood at 183.6 million, an increase of 6.5% on the previous year. Contributing to this result was the interest margin, at 120.2 million (+5.3%), net commission at 59.9 million (+7.9%) and the other items at 3.4 million (+23.6%).

In terms of costs, personnel cost has increased by 6.8% considering the increase in workforce (+2.5% annual average). This increase can partially be explained by the increase in the average cost per FTE relating to the introduction of high level professionals.

The other administrative costs posted an increase of 4.4% mainly as a result of the ICT services.

Overall, operating costs stood at 48.7 million, an increase of 5.9% on the previous year. The costs-revenues ratio was essentially stable at 26.5%, compared to 26.6% in the previous year, while the operating result of 134.9 million has increased by 6.7% on 2017.

Net adjustments on receivables, which were 89.8 million, are up by 75.2 million on the previous year 2017, mainly as a result of two positions which were largely written down. In relation to average invested assets, the adjustments stood at 0.95% compared to 0.19% in 2017.

These adjustments impacted gross profit which stands at 42.1 million. Net profit, after tax of 12.7 million, was 29.4 million compared to 61 million in the previous year.

Shareholders' equity and capital ratios

Shareholders' equity at 31 December 2018 was 730 million, a slight reduction on 31 December 2017, partly due to the reduction in profit for the year (29 million). CET 1, taking into account the distribution of approximately 70% of the net profit for the year, stood at 709 million, compared to 705 million at the end of 2017 (+0.6%).

Total weighted assets have grown by 17.8% compared to 29.6% for non-weighted assets, thanks to new operations on positions in portfolios with less capital absorption. CET 1 stood at 7.94% like the Total Capital Ratio which has fallen compared to the 9.31% for the previous year and the permitted minimum of 6%.

Shareholders' equity and capital ratios

(€ million)

	AMOUNTS AS AT		VAR. AS AT 12.31.2017	
	12.31.2018	12.31.2017	ABSOLUTE	%
Equity	730	747	-17	-2.3%
Profit for the period to be distributed (-)	21	43	-22	-51.5%
Negative/positive elements	-1	0	-1	0.0%
Common Equity Tier 1 Capital	708	705	+3	0.5%
Hybrid capital instruments and subordinated liabilities	0	0	+0	0.0%
Total own funds	708	705	+3	0.5%
Total RWA	8,916	7,567	+1,349	17.8%
CET 1	7.94%	9.31%	-1.4%	
Total Capital ratio	7.94%	9.31%	-1.4%	

Other information

Application for registration on the new Single Register of Financial Intermediaries

Since 05.09.2016, the Company has been registered on the new Single Register of Financial Intermediaries, in accordance with the reformed art. 106 TUB.

Auditing

In line with the Group's auditing policies, the Company uses the Internal Audit service of UniCredit S.p.A., through Group Audit Compliance, Operational, Credit & Finance Risks which reports to the Internal Audit Department of UniCredit S.p.A.. Auditing activities are done on the basis of a limited service agreement between UniCredit Factoring SpA and UniCredit SpA. A member of Group Audit Compliance, Operational, Credit & Finance Risks works exclusively within the Company.

Corporate responsibility: Italian Legislative Decree no. 231/2001

In 2018 the Supervisory Body continued its work on supervising adequacy and compliance with the Organisational and Management Model, which was set up in accordance with Decree 231/01 regarding the corporate responsibility of corporations, legal entities and associations including those without legal status. The supervisory body performed its activities with the collaboration of Internal Audit.

The update of the Organisational and Management Model authorised by the Board of Directors came into force in October 2018. In 2018, there was a review of all the decision-making procedures involving decisions by the Board of Directors.

Business continuity

As required by the Bank of Italy regulations and in accordance with the Parent Company's instructions, the Company has approved and activated a business continuity and crisis management plan. This takes into consideration the main crisis and disaster scenarios and for each of them, identifies the solutions to be taken to ensure adequate business continuity in acceptable conditions. The main aspects of the Plan relate to the distribution, where possible, of the critical activities identified at the Company's sites (the main site in Milan and the secondary office in Rome), and the use of staff from those offices who are periodically updated, have the necessary skills, and are able to rapidly intervene to replace personnel who are unable to operate at an affected site.

Environment and health and safety at work

Training on the areas covered by Legislative Decree 81/2008 continued during 2018 in accordance with Group guidelines and standards. In particular, staff were trained on fire safety and first aid procedures, and there is also a medical supervision programme for video terminal operators.

Report on Operations (Continued)

Related-parties transactions

With regard to relations with the parent company and other companies in the UniCredit Group, see the Notes to the accounts (Part D - Other information - Section 6 - Related parties transactions).

Treasury shares and parent-company shares in the portfolio

The Company does not hold, nor has it held during the year, any own shares or shares of the parent company.

Research and development

No investments were made in research and development during the year.

Financial Instruments

As of 31 December 2018 the company does have hedging derivatives to cover interest rate risk. More information about the policy of managing financial risks and the composition of the derivatives portfolio can be found in the Notes to the accounts..

Management and coordination by the Parent Company

As required by Articles 2497 et seq of the Italian civil code, please note that the Company is subject to direction and coordination by UniCredit S.p.A.; Part D - Other information - Section 6 of the Notes to the accounts contains details of relations with the entity exercising management and coordination and with the other companies it manages. The annexes to the Notes to the accounts contain a schedule of the key data for the parent company.

The Company has joined the Group tax consolidation scheme.

Head office

Via Livio Cambi, no. 5 Milan.

Secondary offices

The Company does not have any secondary offices.

Events after year-end and outlook

No significant events have occurred after the reporting date that would have an impact on the financial statements.

Business outlook

The world's economy continued to grow in the final months of 2018, although signs of cyclical impairment appeared in many of the advanced and emerging economies; the prospects for global trade are continuing to decline, after the slowdown in the first part of 2018. These uncertainties have had repercussions on the international financial markets, with a downturn in long-term yields, and falling share prices. The global outlook for 2019 was encumbered by the risks of a potentially negative outcome of the trade negotiations between the USA and China, the prospects of a downturn in the growth of the Chinese economy, the potential for renewed financial strain in emerging countries, and the outcome of Brexit.

As to the Eurozone, where growth was already weak in the final quarter of 2018 with industrial production in France, Germany and Italy showing a marked decline, it is expected that growth will be sluggish in 2019. Also in Europe, inflation has fallen due to a reduction in the prices of energy goods, which are still positive. The ECB has reiterated its intention to maintain significant monetary stimulus for a prolonged period.

In Italy, based on the latest economic trends, the forecasts show that growth is expected to remain very modest. The latest growth estimates confirm that the Italian economy has slowed further, with expectations on GDP cut by 0.4% to +0.6%, compared to the +1% previously forecast. In this scenario, household spending will remain stable or will show signs of cautious growth, benefiting from the support measures in the Finance Act. Investments will be affected by the increase in the cost of finance and impaired business confidence, despite the continuation of accommodating monetary conditions beyond 2019. Investments in instrumental assets will also be impacted by the reforms to tax breaks, which are lower than for the past three years. All scenarios are uncertain and liable to review, possibly downwards.

With regard to factoring in particular, expectations of industry operators are positive. They expect to see growth compared to 2018, in terms of both turnover and invested assets, which are both estimated to grow by approximate 5% on the previous year, according to Assifact. The industry's contribution to GDP is expected to grow in this scenario.

In this context, which is uncertain and still characterised by minimal economic growth and low or negative short-term interest rates, the Company is pursuing the objective of further increasing operational volumes and profits by leveraging the intensified collaboration with the parent company's network thanks to specific projects that had already been launched on the reporting date.

Milan, 5 February 2019

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

Proposals to the Shareholders' Meeting

The financial statements and the report on operations, which we now submit for your approval, have been audited by Deloitte & Touche S.p.A in accordance with the Meeting resolution passed on 18 April 2013.

We also propose the distribution of profits for the year, of 29,398,621 euros, as follows:

to the Legal Reserve (5%)	euro	1,469,931
to Other Reserves	euro	7,291,590
to shareholders at the rate of 0.257 euro pershare	euro	20,637,100

Milan, 5 February 2019

CEO
Roberto Fiorini

For the Board of Directors
Chairman: Maurizio Guerzoni

Financial Statements

Financial Statements

Balance sheet

(Amounts in EUR)

ASSETS	12.31.2018	12.31.2017
10. Cash and cash balances	322	170
30. Financial assets measured at fair value through other comprehensive income	1,699,973	2,216,974
40. Financial assets measured at amortised cost	13,474,569,370	
a) loans and receivables to banks	331,105,185	
b) receivables to financial companies	643,639,942	
c) receivables to customers	12,499,824,243	
loans and receivables:		10,395,089,487
to banks (ex IAS 39)		270,018,375
to financial institutions (ex IAS 39)		648,195,986
to customers (ex IAS 39)		9,476,875,126
50. Hedging derivatives	398,508	1,276,855
60. Changes in fair value of portfolio hedged items (+/-)	4,762,354	3,810,144
80. Property, plant and equipment	14,055	968
90. Intangible assets	1,060,993	6,705
- of which goodwill	0	0
100. Tax assets	48,865,680	51,257,820
a) current	0	0
b) deferred	48,865,680	51,257,820
120. Other assets	75,083,607	43,543,296
Total assets	**13,606,454,862**	**10,497,202,419**

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2018	12.31.2017
10. Financial liabilities at amortised cost:	12,383,774,926	
a) payables	12,383,774,926	
payables:		9,208,125,084
to banks (ex IAS 39)		9,047,048,481
to financial institutions (ex IAS 39)		5,988,101
to customers (ex IAS 39)		155,088,502
40. Hedging derivatives	9,936,481	7,913,595
60. Tax liabilities	1,914,722	22,982,018
a) current	1,914,722	22,982,018
80. Other liabilities	439,827,422	454,242,372
90. Provision for employee severance pay	2,478,050	2,927,458
100. Provisions for risks and charges:	38,917,966	53,922,270
a) commitments and guarantees given	2,313,507	
b) retirement payments and similar obligations	1,612,070	
c) other provisions for risks and charges	34,992,389	53,922,270
110. Capital	414,348,000	414,348,000
140. Share premium reserve	951,314	951,314
150. Reserves	286,352,536	271,155,754
160. Valuation reserves	(1,445,176)	(368,498)
170. Net profit (loss) for the year (+/-)	29,398,621	61,003,052
Total liabilities and equity	**13,606,454,862**	**10,497,202,419**

Income Statement

(Amounts in EUR)

ITEMS	2018	2017
10. Interest income and similar revenues	134,042,372	120,634,224
of which interest income calculated using the effective interest method	114,871,643	
20. Interest expense and similar costs	(13,817,889)	(6,505,784)
30. **NET INTEREST MARGIN**	**120,224,483**	**114,128,440**
40. Fees and commissions income	76,474,789	69,249,790
50. Fees and commissions expenses	(16,561,440)	(13,712,875)
60. **NET FEES AND COMMISSIONS**	**59,913,349**	**55,536,915**
80. Net profit(loss) from trading	22,533	24,779
120. **OPERATING INCOME**	**180,160,365**	**169,690,134**
130. Net adjustments/writebacks for credit risk of:	(89,816,329)	
a) financial assets measured at amortised cost	(89,816,329)	
Net impairment adjustments/write-backs of:		(14,659,843)
a) financial assets (ex IAS 39)		(14,659,843)
150. NET PROFIT FROM FINANCIAL ACTIVITIES	**90,344,036**	**155,030,291**
160. Administrative expenses:	(48,273,481)	(46,581,553)
a) personnel expenses	(27,739,689)	(26,910,176)
b) other administrative expenses	(20,533,792)	(19,671,377)
170. Net provisions for risks and charges	(3,274,416)	(24,035,936)
a) commitments and guarantees given	(1,870,572)	
b) other net provisions	(1,403,844)	
180. Net value adjustments/write-backs on property, plant and equipment	(3,369)	(1,792)
190. Net value adjustments/write-backs on intangible assets	(125,599)	(69,009)
200. Other income and operating expenses	3,427,577	2,773,719
210. OPERATING EXPENSES	**(48,249,288)**	**(67,914,571)**
260. PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	**42,094,748**	**87,115,720**
270. Tax (expenses) income of the year from continuing operations	**(12,696,127)**	**(26,112,668)**
280. PROFIT (LOSS) FROM CONTINUING OPERATIONS AFTER TAX	**29,398,621**	**61,003,052**
300. NET PROFIT (LOSS)	**29,398,621**	**61,003,052**

Statement of Comprehensive Income

(Amounts in EUR)

ITEMS	2018	2017
10. Profit (loss) for the year	**29,398,621**	**61,003,052**
Other comprehensive income after tax not reclassified to profit or loss	**-**	**-**
20. Capital securities designated at fair value with impact on comprehensive income	(45,001)	-
30. Financial assets measured at fair value through profit or loss (changes in credit rating)	-	-
40. Hedging of capital securities designated at fair value	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	(30,672)	97,434
80. Non-current assets held for sale	-	-
90. Portion of revaluation reserves for equity investments valued using the equity method	-	-
Other comprehensive income after tax that may be reclassified to profit or loss		
100. Foreign investment hedges	-	-
110. Exchange rate differences	-	-
120. Cash-flow hedges	-	-
130. Hedging instruments (non-designated elements)		
140. Financial assets (other than securities) valued at fair value through other comprehensive income	-	-
150. Non-current assets and disposal groups held for sale	-	-
160. Share of valuation reserves of equity investments accounted for using equity method	-	-
170. Total other comprehensive income components after tax	**(75,673)**	**97,434**
180. Total comprehensive income (Item 10+170)	**29,322,948**	**61,100,486**

Financial Statements (Continued)

Statement of Changes in Equity at 31 December 2018

	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Capital	414,348,000	-	414,348,000	-	-
Quota premiums	951,314	-	951,314	-	-
Reserves:	-		-		
a) income	271,155,754	(3,247,270)	267,908,484	18,444,052	-
b) others	-	-	-	-	-
Revaluation reserves	(368,498)	(1,001,007)	(1,369,505)		-
Equity instruments	-	-	-		-
Treasury shares	-	-	-	-	-
Income (loss) for the period	61,003,052	-	61,003,052	(18,444,052)	(42,559,000)
Equity	**747,089,622**	**(4,248,277)**	**742,841,345**	**-**	**(42,559,000)**

Statement of Changes in Equity at 31 December 2017

	BALANCE AS AT 12.31.2016	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2017	ALLOCATION OF PROFIT FROM PREVIOUS YEAR	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS
Capital	414,348,000	-	414,348,000	-	-
Quota premiums	951,314	-	951,314	-	-
Reserves:	-		-		
a) income	245,221,804	-	245,221,804	25,933,950	-
b) others	-	-	-	-	-
Revaluation reserves	(465,932)		(465,932)		-
Equity instruments	-	-	-		-
Treasury shares	-	-	-	-	-
Income (loss) for the period	86,480,150	-	86,480,150	(25,933,950)	(60,546,200)
Equity	**746,535,336**	**-**	**746,535,336**	**-**	**(60,546,200)**

(Amounts in EUR)

	CHANGES DURING THE YEAR							
		SHAREHOLDERS' EQUITY TRANSACTIONS						
	VARIATIONS RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION EXT. DIVIDENDS	VARIATIONS EQUITY INSTRUMENTS	OTHER CHANGES	COMPREHENSIVE INCOME 12.31.2018	SHAREHOLDERS' EQUITY AS AT 12.31.2018
	-	-	-	-	-	-	-	414,348,000
	-	-	-	-	-	-	-	951,314
	-	-	-	-	-	-	-	286,352,536
	-	-	-	-	-	-	-	-
		-	-	-	-	-	(75,671)	(1,445,176)
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	29,398,621	29,398,621
	-	**-**	**-**	**-**	**-**	**-**	**29,322,950**	**729,605,295**

(Amounts in EUR)

	CHANGES DURING THE YEAR							
		SHAREHOLDERS' EQUITY TRANSACTIONS						
	VARIATIONS RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION EXT. DIVIDENDS	VARIATIONS EQUITY INSTRUMENTS	OTHER CHANGES	COMPREHENSIVE INCOME 12.31.2017	EQUITY AS AT 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**

Financial Statements (Continued)

Statement of Cash Flows - Direct Method

(Amounts in EUR)

	12.31.2018	12.31.2017
A. OPERATING ACTIVITIES		
1. OPERATIONS	**160,605,128**	**102,338,759**
- interest income received	112,881,303	109,633,395
- interest expense paid	(13,817,889)	(6,505,784)
- net fees and commissions	71,861,030	55,536,915
- payroll costs	(27,739,689)	(26,910,176)
- other costs	(20,533,792)	(19,671,377)
- other revenues	48,258,152	18,780,013
- taxes and duties	(10,303,987)	(28,524,227)
2. CASH GENERATED/ABSORBED BY FINANCIAL ASSETS	**(3,234,060,558)**	**(1,175,822,426)**
- financial assets measured at fair value through other comprehensive income,	517,001	
- financial assets valued at amortised cost	(3,202,963,385)	
- available-for-sale financial assets		523,201
- loans and receivables to banks		(122,124,900)
- loans and receivables to financial institutions		3,528,949
- loans and receivables to customers		(1,028,881,330)
- other assets	(31,614,174)	(28,868,346)
3. CASH GENERATED/ABSORBED BY FINANCIAL LIABILITIES	**3,128,351,793**	**1,116,468,840**
- financial liabilities valued at amortised cost	3,175,649,842	
- deposits from banks		930,600,504
- deposits from financial institutions		(191,942)
- due to customers		(30,265,455)
- debt securities in issue	0	(77,065,026)
- other liabilities	(47,298,049)	293,390,759
NET CASH GENERATED/ABSORBED BY OPERATING ACTIVITIES	**54,896,363**	**42,985,173**
B. INVESTMENT ACTIVITIES		
1. LIQUIDITY GENERATED BY:		
- sale of investments	-	-
- dividends collected on investments	-	-
- sale/reimbursements of held-to-maturity investments	-	-
- sale of property, plant and equipment	-	-
- sale of intangible assets	-	-
- sales of business units	-	-
2. LIQUIDITY ABSORBED BY:		
- purchases of investments	-	-
- purchases of held-to-maturity financial assets	-	-
- purchases of property, plant and equipment	(16,456)	-
- purchase of intangible assets	(1,179,886)	-
- purchases of business units	-	-
NET CASH GENERATED/ABSORBED BY INVESTMENT ACTIVITIES	**(1,196,342)**	**-**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury quotas	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other allocations	(42,559,000)	(60,546,200)
NET CASH GENERATED/ABSORBED BY FINANCING ACTIVITIES	**(42,559,000)**	**(60,546,200)**
NET CASH GENERATED/ABSORBED DURING THE YEAR	**11,141,021**	**(17,561,027)**

Reconciliation

	12.31.2018	12.31.2017
Cash and cash equivalents at the beginning of the year	10,648,039	28,209,066
Total net liquidity generated/absorbed in the year	11,141,021	(17,561,027)
Cash and cash equivalents at year-end	21,789,060	10,648,039

Notes to the accounts

Part A - Accounting policies

Part A - Accounting policies

A.1 - General information

Section 1 - Declaration of compliance with international accounting standards

The financial statements at 31 December 2018 were prepared in accordance with the IAS/IFRS issued by the IASB and approved by the European Commission until 31 December 2018 including the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as established by Regulation No. 1606 of 19 July 2002, enacted in Italy by Legislative Decree no. 38 of 28 February 2005.

The financial statements were prepared according to the models contained in the Bank of Italy measure of 22 December 2017 "Financial statements of IFRS intermediaries other than banking intermediaries", which fully replaced the guidelines annexed to the instructions in the Bank of Italy measure of 9 December 2016.

Section 2 - Preparation Criteria

The financial statements at 31 December 2018 of Unicredit Factoring S.p.A. were prepared, as indicated above, in conformity with the International Accounting Standards (IAS/IFRS) endorsed by the European Union. The financial statements comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholder's Equity, the Statement of Cash Flow, and the Notes to the accounts, accompanied by the Directors' Report on operations. The financial situation is presented in euros, apart from the Notes to the accounts which are prepared in thousands of euros, and corresponds to the Financial statements, which fully reflect the operations carried out during the period.

The financial statements are drafted on a going concern basis and correspond to the principles of accrual, relevance and materiality, and the prevalence of economic substance over legal form. The information in the statement of cash flows is given in accordance with the cash principle.

Costs and revenues, assets and liabilities are not offset against each other, except where required by an accounting standard and/or its interpretation, in order to make the financial statements clearer and more communicative.

The financial statements and Notes to the accounts show the corresponding comparisons with the previous year.

The financial statements at 31 December 2018 have been drafted clearly and provide a true and fair representation of the Company's assets, liabilities, profit or loss and financial position for the year.

There were no derogations from the IAS/IFRS.

Risk and uncertainties relating to the use of estimates

The IFRS require that Management provides valuations, estimates and projections with a bearing on the application of the accounting standards and the carrying amounts of assets, liabilities, expenses and revenues. Estimates and related projections based on experience and other factors judged to be reasonably included were used to estimate the carrying value of assets and liabilities not readily obtainable from other sources.

Estimation processes have been used to support the recognition values.

The estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognised accordingly in both current and future periods.

The risk of uncertainty in estimation essentially relates to the assessment of:
- the quantification of losses due to impairment in the value of receivables;
- severance pay (TFR) and other employee benefits;
- the provisions for risks and charges;
- financial instruments;
- deferred tax assets.

Section 3 - Events after the reporting date

No significant events have 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 2018.

Section 4 - Other aspects

The financial statements were iaudited by Deloitte & Touche S.p.A. pursuant to Legislative Decree no. 39 of January 27, 2010 and in implementation of the Shareholders' Meeting resolution of April 18, 2013.

In 2018, the following principles and accounting interpretations came into force:
• IFRS9 - Financial Instruments (EU Regulation 2016/2067);
• IFRS15 - Revenues from contracts with customers (EU Regulation 2016/1905);
• IFRIC Interpretation 22 Foreign currency transactions and advances (EU Regulation 2018/519);
• Amendments to IAS40: Changes in the use of real estate investments (EU Regulation 2018/400);
• Amendments to IFRS2: Share-based payments (EU Regulation 2018/289);
• Annual cycle of improvements to IFRS 2014 - 2016 (EU Regulation 2018/182);
• Amendments to IFRS4: Joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts (EU Regulation 2017/1988);
• Clarifications on IFRS15: Revenues from contracts with customers (EU Regulation 2017/1987).

For the effects of the first-time adoption of IFRS9 and IFRS15 see the specific parts of this section.

On 31 December 2018, the European Commission endorsed the following accounting standards, which will enter into force from the 2019 financial statements onwards:
• IFRS16 - Leases (EU Regulation 2017/1986);
• Amendments to IFRS 9: Prepayment Features with Negative Compensation (EU Regulation 2018/498).

IFRS16, which applies from 1 January 2019, was harmonized by the European Union on 31 October 2017. It amends the current set of international accounting standards and interpretations on leasing, in particular IAS 17. IFRS 16 introduced a new definition of leasing and confirms the current distinction between the two types (operational and financial), with reference to the accounting model to be used by the lessor. With reference to the accounting treatment to be applied by the lessee, the new accounting standard requires, for all leasing types, the recognition of an asset representing the right of use of the leased asset and, at the same time, a liability reflecting the future payments of the lease contract. At initial recognition, the asset is measured on the basis of the lease contract cash flows, which include in addition to the present value of lease payments, any initial direct cost attributable to the lease and any other costs required for the dismantling/removing the underlying asset at the end of the contract. After initial recognition the asset will be measured on the basis of the provisions for tangible assets, therefore net of any depreciation and any impairment losses, at the "redetermined value" or at the fair value according to IAS 16 or IAS 40. The Group has started the work necessary to ensure full compliance with the new accounting standard, with particular reference to the calculation and recognition of the right of use and the associated leasing liability. These aspects are the main difference compared to the accounting model in IAS 17. These activities are aimed at identifying the leasing contracts, and at the development of rules, standards and IT systems that can ensure the accurate calculation of the new assets and liabilities, their subsequent measurement and the determination of the related income statement effects. Considering the Group's level of use of leasing contracts, it is expected that the adoption of this new accounting standard will lead to an increase in both assets and liabilities deriving from the recognition of these rights of use and related liabilities, and therefore of the RWA, given the need to apply the prudential rules to the newly recognised assets as well.

The impact on the CET1 ratio resulting from the adoption of IFRS16, in terms of the new rules on recognition by the lessee can be estimated on a preliminary basis for UniCredit Factoring S.p.A. and pre-tax, in the order of - 1 bps.

As of 31 December 2018 the IASB has issued the following standards, amendments, interpretations or revisions, whose application is subject to completion of the endorsement process by the competent bodies of the European Union:
• IFRS17: Insurance Contracts (May 2017);
• IFRIC 23 Uncertainty over Income Tax Treatments (June 2017);
• Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (October 2017);
• Annual Improvements to IFRS Standards 2015-2017 (December 2017);
• Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (February 2018);
• Changes in the references to the Conceptual Framework in IFRS (March 2018).

The Company is currently assessing the impact of applying the standards.

With specific reference to IFRS 9:
• Significant changes have been introduced compared to IAS39, regarding the classification and measurement of loans and debt instruments, which are based on the business model and on the characteristics of the cash flows of the financial instrument (SPPI - Solely Payments of Principal and Interests criteria);
• Equity instruments are to be classified at fair value either through profit or loss or through "other comprehensive income". In this second case, unlike previous requirements for available for sale assets set by IAS39, IFRS9 has eliminated the need to recognise long-term impairment losses and provides that if the instruments are disposed of, the gains or losses are recycled to other equity reserves and not to the income statement;

Part A - Accounting policies (Continued)

- A new impairment recognition model has been introduced, based on (i) an "expected losses" approach, instead of the current "incurred losses" approach, and (ii) on the concept of expected "lifetime" loss, which has led to an anticipation and structural increase of value adjustments, particularly those on receivables;
- The hedge accounting model has been changed, by rewriting the rules for the designation of a hedge accounting relationship and for checking its effectiveness in order to achieve a stronger alignment between the hedge accounting treatment and the underlying risk management logic. The entity can still continue to apply IAS39 hedge accounting rules until the IASB has completed the project on the definition of macro-hedging rules; and
- Changes have been made to the accounting treatment of "own credit risk", in other words the changes in the fair value of liabilities designated at fair value that are attributable to changes in own credit rating. The new standard provides that these changes are recognised in a Shareholders' equity reserve rather than through profit and loss, as provided for in IAS39, thus eliminating a source of volatility for the income statement results.

To ensure timely compliance with the requirements of the standard, the Company has taken part in the Group project, with the aim of creating accounting and risk monitoring methodologies harmonised across the Group Legal Entities.

Reflecting the main changes to IFRS 9, the project has been organised at Group level into specific work streams responsible for "Classification and Measurement", in order to review the classification of financial instruments in line with the new criteria of IFRS 9, and "Impairment", aimed at developing and implementing models and methods to be used to calculate impairment adjustments.

In the "Classification and Measurement" workstream, the Group has completed the identification of the various business models used by the different business lines, and has analysed the existing portfolio of securities and finance in order to assess whether the contractual cash flows will allow valuation at amortised cost.

This analysis was done on a contract by contract basis, both by defining clusters based on the operations' profiles, and by using an internally-developed SPPI tool to analyse the profiles of the contracts with regard to IFRS 9, and also by using external data providers.

In the "Impairment" work stream, the Group has completed the development of the model and methods used to determine write-downs and losses on receivables according to a new approach based on expected loss, and the transfer logic used to identify significant increases in credit risk for the transfer of exposures from stage 1 to stage 2.

- Stage 1 includes:
  newly originated or newly acquired exposures;
  exposures that have not suffered a significant increase in credit risk compared to the date of first recognition and low credit risk exemption exposures;
- Stage 2 includes credit exposures that are unimpaired but which have suffered a significant increase in credit risk compared to the date of first recognition;
- Stage 3 includes impaired credit exposures.

These models and methods are based on predetermined regulatory parameters (probability of default, loss given default and exposure to default), which are then corrected to eliminate the conservatism required on the basis of the prudential rules, and to introduce information on expected developments by means of multi-scenario analyses based on the macroeconomic analysis.

With regard to the transfer logic, the Group assesses whether there has been a significant increase in credit risk based on the current probability of default on the exposure, compared to the probability of default at the time of initial recognition based on the internal rating.

Finally, with reference to hedge accounting, the Group has opted to keep applying the existing IAS39 hedge accounting requirements for all hedge accounting until the IASB has completed its project on accounting for macro hedging.

The Group uses the "transitional relief" required by the standard and therefore it has not published the comparative data in its 2018 financial statements.

Finally, the methodological choices made by the UniCredit Group as part of the IFRS 9 project have undergone a structured review by the auditing companies.

On the date of first application, the impacts of IFRS 9 on the Company resulting from the application of the new expected loss impairment model have led to a limited increase in the write-downs on receivables and on off balance sheet assets and exposures of around 1 million euros.

The adjustments to the carrying value of financial assets due to IFRS9 transition has been accounted for through Equity as of 1 January 2018.

With reference to the valuation criteria, no reclassifications to receivables have been made as a result of the characteristics of the related cash flows (SPPI principle).

As a result of the implementation of IFRS9, there has also been a review of the prudential rules for the calculation of capital absorption and expected losses.

The proposals currently being discussed include the option that financial institutions can use transitional rules in order to add to CET1 the changes resulting from the adoption of the new impairment model of the new standard, with a gradual phase-in over 5 years starting from 2018. The Company has not taken up this option.

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

IFRS15 provides for:
• two approaches for revenue recognition ("at point in time" or "over time");
• a new model for transactions analysis ("Five steps model") focused on the transfer of control; and
• the more detailed disclosures to be included in the explanatory notes to the financial statements.

Application of the new standard has resulted in a cost of 3 million euros, recognised as a contra entry in shareholders' equity on 1.01.2018.

These draft financial statements were approved by the Board of Directors on 5 February 2019.

Reclassifications as of 1 January 2018

The following table shows the reclassifications and changes in measurement on the assets and liabilities resulting from the entry into force of IFRS 9 and the instructions in the Bank of Italy measure of 22 December 2017 "Financial statements of IFRS intermediaries other than banking intermediaries".

Balance sheet assets

(€'000)

	AMOUNT AS AT				
ASSETS	12.31.2017	RECLASSIFICATION OF THE CARRYING VALUE AS AT 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	01.01.2018
10. Cash and cash balances	0	0			0
30. - financial assets measured at fair value through other comprehensive income		2,217			2,217
Financial assets available for sale (ex item 40 IAS 39)	2,217	(2,217)			
40. Financial assets measured at amortised cost		10,395,089	(4,248)		10,390,841
loans and receivables	*10,395,089*	*(10,395,089)*			
Receivable to banks (ex IAS 39)	270,018	(270,018)			
Receivable to banks (ex IAS 39)	648,196	(648,196)			
Receivable to customers (ex IAS 39)	9,476,875	(9,476,875)			
50. Hedging derivatives	1,277				1,277
60. Changes in fair value of portfolio hedged items (+/-)	3,810				3,810
80. Property, plant and equipment	1				1
90. Intangible assets	7				7
of which: goodwill	0				0
100. Tax assets:	51,258				51,258
a) Current	0				0
b) Deferred	51,258				51,258
120. Other assets	43,543				43,543
Total assets	**10,497,202**				**10,492,954**

Part A - Accounting policies (Continued)

Balance sheet liabilities

(€'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNT AS AT 12.31.2017	RECLASSIFICATION OF THE CARRYING VALUE AS AT 01.01.2018	CHANGE IN MEASUREMENT	OTHER CHANGES	01.01.2018
10. Financial liabilities at amortised cost		9,208,125			9,208,125
b) Debt securities in issue					-
Payables due to banks (ex IAS 39)	9,047,048	(9,047,048)			-
Payables to financial institutions (ex IAS 39)	5,988	(5,988)			-
Payables due to customers (ex IAS 39)	155,089	(155,089)			-
Securities issued (ex IAS 39)	0				-
40. Hedging derivatives	7,914				7,914
60. Tax liabilities:	22,982				22,982
a) Current	22,982				22,982
b) Deferred					-
80. Other liabilities	454,242				454,242
90. Provision for employee severance pay	2,927				2,927
100. Provisions for risks and charges:	53,922				53,922
110. Capital	414,348				414,348
140. Share premium reserve	951				951
150. Reserves	271,156		(3,247)		267,909
160. Valuation reserves	(368)		(1,002)		(1,370)
170. Net profit (loss) for the year (+/-)	61,003				61,003
Total liabilities and equity	**10,497,202**				**10,492,953**

A.2 - Main Items of the Financial Statements

Below are the criteria adopted for the valuation of the main items.

1) Financial assets measured at amortised cost

The receivables are non-derivative financial assets with customers, finance companies and banks, with fixed or determinable payments that are not quoted in an active market.

The first recognition takes place on the date of sale following the signing of the contract (in the case of a without- recourse assignment) and coincides with the date of payment, for with-recourse receivables.

The receivable will be recognised on the basis of its fair value, equal to the amount lent (with-recourse), or the value of the receivable acquired (without- recourse).

After the initial recognition at fair value, including the costs of the transaction which are directly attributable to the acquisition of the financial asset, the receivables are valued at an amortised cost, if necessary adjusted to take into account any reductions and/or write-backs resulting from the valuation process.

Put simply, factoring operations consist of exposures to assignors that represent finance paid against with-recourse assignments, and exposures to assigned debtors representing the value of receivables acquired in without-recourse assignments.

For the purposes of IFRS 9, these operations entail, for the assigning company and the factor, an assessment of whether or not the derecognition conditions required by this international accounting standard have been met.

In accordance with the general principle of prevalence of economic substance over legal form, a company can de-recognise a financial asset only if, as a result of a sale, it has transferred the risks and benefits connected to the sold asset.

IFRS 9 provides that a company can only derecognise a financial asset if:
a) it has transferred the financial asset, and with that, all the risks and contractual rights to cash flows deriving from that asset essentially expire;
b) the benefits of owning the asset no longer exist.

To assess the effective transfer of risks and benefits there is a need to compare the exposure of the assigning company to the changes in the current value or cash flows generated by the transferred financial asset before and after the sale.

The assigning company essentially maintains all the risks and benefits when the exposure to the variability of the current value of the net future cash flows of the asset does not change significantly, following its transfer. Conversely, there is a transfer when the exposure to this variability is no longer significant.

The most common ways in which a financial instrument is transferred can have very different accounting effects:
- in the case of a without- recourse assignment (without any guarantee restriction), the sold assets can be derecognised from the assignor's financial statements;
- in the case of a with-recourse assignment it should be considered that in most cases, the risk of the sold asset remains with the vendor, and therefore the assignment does not meet the requirements for derecognition of the sold asset.

The Company has included among its receivables those acquired on a without-recourse basis after checking that there are no contractual clauses that would invalidate the transfer of all risks and benefits. With regard to the with-recourse portfolio, the receivables are recognised and maintained on the financial statements limited only to the amounts paid to the assignor by way of advance.

More specifically:
a) Receivables assigned on a with-recourse and "legal" without-recourse basis (with no derecognition by the assignor) are recognised, limited to the amounts paid to the assignor by way of advance including interest and fees, and first recognition takes place on the basis of the amount anticipated to the assignor for the assignment of receivables.
b) Receivables definitively acquired on a without-recourse basis with the substantial transfer of the risks and benefits, and maturity receivables paid on maturity are recognised as to the amount of the transferred invoices (with derecognition by the assignor), and first recognition takes place at the nominal value of the receivable (equivalent to the fair value).
c) Finance paid in respect of future receivables not subject to assignments, and instalment finance is recognised as to the value equal to the amount of the finance, inclusive of interest and fees.

On each reporting date, if there is objective evidence of a loss in value, the amount of the loss is measured as the difference between the book value of the asset and the current value of the estimated future cash flows, discounted at the original effective interest rate. In particular: the criteria for determining the write-downs on receivables are based on the discounting of the expected cash flows of principal and interest, net of any recovery costs and advances received; in determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

Part A - Accounting policies (Continued)

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

According to the Bank of Italy regulations, impaired exposures are classified into the following categories:
- **bad loans positions**: this refers to receivables that are formally recognised as impaired, consisting of exposures to insolvent borrowers (even if the insolvency has not been recognized in a court of law) and to borrowers in a similar situation. This assessment usually takes place analytically (also by comparison against automatic, statistical coverage levels for certain portfolios of receivables below a predefined threshold), or in cases where the amounts are not individually significant, on a flat rate basis according to the same type of exposure.
- **Unlikely to pay positions**: refers to on-balance and off-balance sheet exposures that do not meet the criteria for classification as bad loans, and for which it is considered unlikely that the debtor will be able to fully repay the capital and/or interest on its finance without actions such as the enforcement of guarantees. This assessment is separate from the presence of any unpaid, overdue amounts or instalments.

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

Unlikely to pay positions are valued analytically, if there are particular elements that require such an assessment, or they may be valued by applying percentages on a flat rate basis.
- **Impaired past due and/or overdue exposures**: These are on-balance sheet exposures other than those classified among bad loans or unlikely to pay positions, which on the reporting date have been overrun for more than 90 days on a major obligation, as prescribed by the regulations on prudential relevance requirements and in accordance with the Bank of Italy Circular 217/1996 (as amended). Past due and/or overdrawn impaired exposures are calculated with respect to the individual debtor.

Past-due and/or overdrawn impaired exposures are valued at a flat rate on a historical/statistical basis by applying, where available, the risk rating referred to Loss Given Default (LGD) under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms.

The valuation of performing receivables relates to portfolios of assets for which there are no objective loss factors. With the introduction of IFRS 9, the valuation requires the use of a model based on the expected losses on the loans, instead of the one based on losses already incurred, required by IAS 39. The new model requires the company to consider the expected losses, and any changes in those expected losses, on each reporting date in order to reflect changes in the credit risk arising since the initial recognition of the asset. There is thus no longer any need for an event that casts doubt on the recoverability of the loan before recognising a loss on it.

2) Property, plant and equipment

"Assets used in the business" are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

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

Property, plant and equipment are initially recognised at cost, including the costs necessary for commissioning the asset for its intended use (including all the costs directly connected to the asset becoming operational, and to the non-recoverable taxes and duties on its purchase). This value is then increased by the costs incurred from which it is expected that future benefits will be enjoyed. The costs of ordinary maintenance carried out on the asset are recognised on the income statement when they arise. Conversely, the cost of extraordinary maintenance from which future economic benefits are expected are capitalised as an increase in the value of the assets they refer to.

After initial recognition, an item of property, plant and equipment is carried at cost, less any accumulated depreciation and any cumulative impairment losses. The depreciable value, which is equal to cost less the residual value (in other words the amount normally expected from disposal, less the expected costs of disposal if the asset is already in the conditions or of an age expected at the end of its useful life), is distributed systematically throughout the asset's useful life, using the straight line method as the depreciation principle.

The practice normally adopted is to consider the residual value of depreciated assets as equal to zero.

The useful life, which is periodically reviewed in order to identify any estimates that may differ significantly from the previous ones, is defined as:
- the period of time for which it is expected that an asset can be used by the company;
- the quantity of products or similar items that the company expects to obtain from using the asset.

If there is objective evidence that an asset has been impaired, the carrying amount 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. Any value adjustment is recognized in the profit and loss item "Impairment/write-backs on property, plant and equipment".

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

Property, plant and equipment are derecognized at the time of disposal, full amortisation, or if no future economic benefits are expected from its use. Any difference between the disposal value and the book value is taken to profit and loss under the item "Gains (losses) on disposals of investments".

3) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance which is expected to be used during more than one period and from which future economic benefits are probable.

The asset is identifiable if:
- it is separable, in other words it can be separated or de-assembled and sold, transferred, given under licence, leased or exchanged;
- it derives from contractual or other legal rights regardless of whether those rights can be transferred or separated from other rights and obligations.

The asset can be controlled by the company as a result of past events on the assumption that through its use, the company will receive economic benefits. The company has control of an asset if it has the power to use the future economic benefits deriving from that asset and it can also limit access to those benefits by third parties.

An intangible asset is recognised as such if, and only if:
(a) it is probable that the company will receive future economic benefits from that asset;
(b) the cost of the asset can be reliably measured.

This item mainly includes goodwill and software.

Intangible assets other than goodwill are initially recognised at cost. Any costs after initial recognition are only capitalised if they can generate future economic benefits and only if those costs can be reliably determined and allocated to the asset.

The cost of an intangible asset includes:
- the purchase price, including any non-recoverable taxes and duties on purchases, after deducting trade discounts and allowances;
- any direct cost of preparing the asset for use.

After initial recognition, an intangible asset with a defined useful life is carried at cost, less any accumulated amortization and any impairment losses.

The amortisation is calculated systematically throughout the best estimate of the useful life of the asset, using the straight line method.

If there is objective evidence that an asset has been impaired, the carrying amount 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. Any value adjustment is recognized in the profit and loss item "Cost of asset disposals".

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is derecognized at the time of disposal, or if no future economic benefits are expected from its use. Any difference between the disposal value and the book value is taken to profit and loss under the item "Gains on disposals of investments".

4) Liabilities and Securities in Issue

These items are initially recognized at their fair value, which generally corresponds to the price received, net of the transaction costs directly attributable to the financial liability. After initial recognition, these instruments are measured at amortised cost using the effective interest method.

Payables from factoring operations represent the reserve payable to the assignors, resulting from the difference between the value of the receivables acquired on a without-recourse basis, and the advance paid out.

Financial liabilities are derecognized when they have expired or are extinguished.

Financial liabilities with an original term of less than 12 months are recognised at the nominal amount, as the application of amortised cost does not entail any significant changes.

5) Hedging operations

Hedging operations are intended to neutralise the losses recognisable on a certain element or group of elements attributable to a certain risk, by means of the profits recognisable on a certain element or group of elements in the event that risk actually arises. The hedging instruments used by the Company are designated as hedging of the fair value of a recognised asset.

Part A - Accounting policies (Continued)

Hedging derivatives, like all derivatives, are initially recognised and then measured at fair value and are classified in the Balance Sheet assets under item "70 Hedging derivatives", and under liabilities item "50 Hedging derivatives".

In the case of generic hedging, the adjustment of the financial assets' value is classified in balance sheet asset item 80 "Changes in value of portfolio hedged financial assets" and financial liabilities under item 60 "Changes in value of portfolio hedged financial liabilities". A positive change must not be offset against a negative one.

An item is classified as hedging, and is correspondingly represented on the financial statements, only if all the following conditions have been met:
- with the initial hedge, the account is designated and formally documented as well as the company's objectives in its risk management and hedging strategy. The documentation identifies the hedging instrument, the element or transaction subject to the hedge, the nature of the risk and the methods the company intends to use to assess the effectiveness of the hedge in offsetting exposure to changes in the fair value of the element hedged or the cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably assessed;
- the hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which it has been designated.

The hedge is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are almost completely offset by changes in fair value of the hedging instrument and if the hedge ratio is within the range of 80-125 per cent.

The effectiveness of the hedge is initially assessed by forward-looking tests, and when the annual financial statements are prepared, using a retrospective test; the results of these tests justify the application of hedge accounting, as they demonstrate its expected effectiveness.

6) Employee severance pay provision

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. These benefits are determined by an independent actuary, using the Projected Unit Credit Method. This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following the pension reforms in Legislative Decree no. 252 of 5 December 2005, TFR instalments accrued to 12.31.2006 (or to the date between 01.01.2007 and 06.30.2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay with the employer and are considered a post-employment defined benefit plan, therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e. forecast future pay rises are not considered.

TFR instalments accrued since 01.01.2007 (date of Law 252's coming into effect) (or since the date between 01.01.2007 and 06.30.2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are considered a defined-contribution plan.

Costs relating to TFR accruing in the year are recognised on the income statement and include the interest cost on the obligation already existing on the date of the reform. The amounts accrued in the year and paid to the supplementary pension plans or the INPS Treasury Fund are recognised under "Employee Severance Pay Provision".

The introduction of IAS19R from 1 January 2013, relating to the treatment of "post-employment benefits including severance pay" resulted in the elimination of the "corridor method" optional accounting treatment, with the Defined Benefit Obligations being presented on the balance sheet based on the relative actuarial valuation and recognition of related actuarial gains and losses in a contra entry of Valuation reserves.

7) Provisions for risks and charges

Provisions for risks and charges are recognised on the account if, and only if:
- there is a current obligation (legal or implied) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the outstanding obligation at the reporting date, and reflects risks and uncertainties that inevitably characterise a multitude of facts and circumstances.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If, after review, it becomes clear that it is possible or unlikely that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

No provision is made for potential liabilities which are unlikely to arise, although a description of the nature of the liabilities is given in any case.

8) Current and deferred tax

Current taxes for the year and for prior years, where unpaid, are recognised as liabilities; any surplus paid in terms of an advance on the amount due, is recognised as an asset.

The current fiscal liabilities/assets for the current year and for prior years are determined at the value expected to be paid/recovered from the tax authorities, applying the current tax rates and regulations.

A deferred tax liability is recorded for all temporary taxable differences.

For all deductible temporary differences, an advance tax asset is recorded if it is likely that future taxable income will be earned against which the advance temporary difference can be utilised.

Advance tax assets and deferred tax liabilities are constantly monitored and are quantified at the tax rates expected to be applicable in the year in which the tax assets will be realised or the tax liability will be discharged, taking into account the current tax regulations. The advance tax assets and deferred tax liabilities are not discounted nor offset.

9) Share-Based Payments

These are payments made to employees in consideration of services rendered, using equity instruments of the Parent Company and comprise:
a) the right to subscribe to paid capital increases (stock options in the strict sense);
b) rights to receive shares on achieving quantity and quality targets (performance shares);
c) restricted shares.

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

The fair value of share-based payments is recognised as a cost on the income statement under “Personnel costs”, as a contra entry to “Other liabilities” , according to the accruals principle in proportion to the period in which the service was rendered.

10) Revenues

Revenues are the pre-tax flows of financial benefits deriving from ordinary operations of the company.

Revenues from contractual obligations with customers are only recognised if all the following criteria have been met:
a) the parties to the contract have approved it, and have committed to fulfilling their respective obligations;
b) the company can identify the rights of each of the parties, regarding the goods or services to be transferred;
c) the company can identify the terms of payment, regarding the goods or services to be transferred;
d) the contract has commercial substance (i.e. the risk, timing or amount of the company’s future cash flows will change after the contract); and
e) it is probable that the company will receive the price to which it is entitled, in exchange for the goods or services transferred to the customer. In assessing the likelihood of receiving the amount, the company only has to take into account the customer’s capacity and intention to pay the price when due.

The price for the contract, which has to be likely to be received, is allocated to the individual contractual obligations.

The revenues are recognised according to the time when the obligations are fulfilled, on a single occasion or alternatively throughout the period required for the fulfilment of each obligation.

Late payment interest is recognised in item “10. Interest income and similar” at the time of receipt, apart from legal interest accruing on tax credits, which is recognised on an accruals basis.

11) Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from the settlement of transactions at rates different from those of the transaction date, and unrealized exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognized in profit and loss item 80 “Net trading result”

12) Other information

Long-term employee benefits

Long-term employee benefits - such as length of service bonuses, paid upon reaching a predefined number of years of service (25 years) and which were abolished from 1 July 2014 - are recognised as to the residual portion, in “Other service reward liabilities”, based on the valuation of the liability on the reporting date. The value is determined by an external actuary. Actuarial gains (losses) on this type of benefit are recognized immediately in the Income Statement.

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

The Company did not make any reclassifications of financial instruments during the year nor in prior years.

A.4 - Information on fair value

QUALITATIVE INFORMATION

This section presents a disclosure on fair value as required by IFRS13.
The fair value is the amount that may be received from the sale of an asset or paid to transfer a liability, in an ordinary transaction between the main market counterparties on the measurement date (exit price).

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The only assets or liabilities valued at fair value on a recurring or non-recurring basis held by the Company are interest rate swaps.

For these instruments, which are not traded on an active market, mark to model valuation techniques are used, which are based on inputs for which there is an active market.

In particular, the discounted cash flow valuation technique is used. This involves estimating the future cash flows that are expected to occur over the life of an 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 flows.

For items not valued at fair value, the discounted cash flow technique is also used to estimate the fair value of shares in issue. For sight or short-term payables and receivables, which are essentially equal to the total of the corresponding items, the book value is considered to be an adequate approximation of their fair value. For medium/long-term payables and receivables, the book value is calculated by using a risk-adjusted current value model.

A.4.2 Valuation processes and sensitivity

The Company does not hold assets or liabilities valued at fair value on a recurring or non-recurring basis (level 3) that require reporting.

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.

There are three levels:
- level 1: the fair value is measured based on quoted prices for similar instruments on active markets;
- level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable inputs on active markets;
- level 3: fair value for instruments classified within this level is determined according to valuation models which prevalently use significant inputs not observable on active markets.

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

Level 1 (prices quoted on active markets): quoted prices (unadjusted) on 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 transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an ongoing 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 must 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 a Comparable approach or a Mark-to-Model approach, the hierarchy process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

QUANTITATIVE INFORMATION

TAV A.4.5.1
Financial assets and liabilities valued at fair value on a recurring basis: fair value levels breakdown

(thousands of euros)

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	12.31.2018			12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-	-
a. Financial assets designated at fair value	-	-	-	-	-	-
b. Financial assets at fair value through profit or loss	-	-	-	-	-	-
c. Financial assets that must be measured at fair value	-	-	-	-	-	-
2. Financial assets measured at fair value with impact on comprehensive income	**-**	**-**	**1,700**	**-**	**-**	**2,216**
3. Hedging derivatives	-	399	-	-	1,277	-
4. Property plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total assets	**-**	**399**	**1,700**	**-**	**1,277**	**2,216**
Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	9,936	-	-	7,914	-
Total liabilities	**-**	**9,936**	**-**	**-**	**7,914**	**-**

TAV A.4.5.2
Change for the year in financial assets carried at fair value on a recurring basis (level 3)

(thousands of euros)

		FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS						
	TOTAL	OF WHICH: A) FINANCIAL ASSETS HELD FOR TRADING	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR	OF WHICH: C) OTHER FINANCIAL	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**-**	**-**	**-**	**-**	**2,217**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Profits taken to:	-	-	-	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**517**	**-**	**-**	**-**
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Reimbursements	-	-	-	-	472	-	-	-
3.3 Losses taken to:	-	-	-	-	-	-	-	-
3.3.1 Income Statement	-	-	-	-	-	-	-	-
of which: Capital loss	-	-	-	-	-	-	-	-
3.3.2 Shareholders' Equity	-	-	-	-	45	-	-	-
3.4 Transfers from other portfolios	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**-**	**-**	**-**	**-**	**1,700**	**-**	**-**	**-**

Part A - Accounting policies (Continued)

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

(thousands of euros)

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	12.31.2018				12.31.2017			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Assets measured at amortised cost	13,474,569	-	-	13,474,569	10,395,089	-	-	10,395,089
2. Property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**13,474,569**	**-**	**-**	**13,474,569**	**10,395,089**	**-**	**-**	**10,395,089**
1. Financial liabilities valued at amortised cost	12,383,775	-	-	12,383,775	9,208,125	-	-	9,208,125
2. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**12,383,775**	**-**	**-**	**12,383,775**	**9,208,125**	**-**	**-**	**9,208,125**

The fair value of short-term or sight receivables and payables is assumed to be equal to the book value.

Key:
CA = Carrying Amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 Disclosures on “day one profit/loss”

The Company does not carry out any transactions that require the recognition of “day one profit/loss”.

Part B - Notes to the Balance Sheet

Part B - Notes to the Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

Breakdown of Item 10 "Cash and cash balances"

(thousands of euros)

ITEM/VALUES	12.31.2018	12.31.2017
1.1 Cash and revenue stamps	-	-
Total	**-**	**-**

Section 3 - Financial assets designated at fair value through other comprehensive income - Item 30

3.1 Financial assets designated at fair value through other comprehensive income

(thousands of euros)

ITEMS/VALUES	12.31.2018			12.31.2017		
	L1	L2	L3	L1	L2	L3
1. Debt securities issued	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. Loans	-	-	1,700	-	-	2,217
Total	**-**	**-**	**1,700**	**-**	**-**	**2,217**

* The Company holds 20 shares issued by UniCredit Services ScpA for 173 euro, which are not listed andarevaluedatcost. **The Loans item includes profit shares with film production companies to the value of 1,700 thousand euro.

3.2 Financial assets designated at fair value through other comprehensive income

(thousands of euros)

ITEMS/VALUES	12.31.2018	12.31.2017
1. Debt securities issued	**-**	**-**
2. Equity securities	**-**	**-**
3. Loans	**1,700**	**2,217**
a) general government	-	-
b) banks	-	-
c) other financial companies of which: insurance companies	-	-
d) non-financial companies	1,700	2,217
e) households	-	-
Total	**1,700**	**2,217**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and total write-downs

(thousands of euros)

ITEMS/VALUES	GROSS VALUE				ADJUSTMENTS TO TOTAL VALUE			TOTAL PARTIAL WRITE-OFFS (INFORMATIVE PURPOSE)
	FIRST STAGE	OF WHICH: LOW CREDIT RISK INSTRUMENTS	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Debt securities issued	-	-	-	-	-	-	-	-
Loans	3,126	-	-	-	1,426	-	-	-
Total (12.31.2018)	**3,126**	**-**	**-**	**-**	**1,426**	**-**	**-**	**-**

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost breakdown receivables to banck

(thousands of euros)

	12.31.2018						12.31.2017					
	CARRYING VALUE			FAIR VALUE			CARRYING VALUE			FAIR VALUE		
COMPOSITION	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED PURCHASED OR ORIGINATED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH IMPAIRED PURCHASED OR ORIGINATED	L1	L2	L3
1. Deposits and current accounts	**21,789**	**-**	**-**	**-**	**-**	**21,789**	**10,897**	**-**		**-**	**-**	**10,897**
2. Loans	**301,616**	**-**	**-**	**-**	**-**	**301,616**	**254,204**			**-**	**-**	**254,204**
2.1 Spot transactions	-	-	-	-	-	-	-			-	-	-
2.2 Financial leasing	-	-	-	-	-	-	-			-	-	-
2.3 Factoring	301,616	-	-	-	-	301,616	254,204			-	-	254,204
- with-recourse	295,427	-	-	-	-	295,427	243,444			-	-	243,444
- without-recourse	6,189	-	-	-	-	6,189	10,760			-	-	10,760
2.4 other financing	-	-	-	-	-	-	-			-	-	-
3. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**-**	**-**
- Structured securities	-	-	-	-	-	-	-			-	-	-
- Other debt securities	-	-	-	-	-	-	-			-	-	-
4. Other assets *	**7,700**	**-**	**-**	**-**	**-**	**7,700**	**4,917**			**-**	**-**	**4,917**
Total book value	**331,105**	**-**	**-**	**-**	**-**	**331,105**	**270,018**			**-**	**-**	**270,018**

The fair value of short-term or sight receivables is assumed to beequal to the book value.
* This item includes amounts receivable from banks participating in pool factoring operations.
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets measured at amortised cost breakdown of receivables to financial companies

(thousands of euros)

	12.31.2018						12.31.2017					
	CARRYING AMOUNT			FAIR VALUE			CARRYING AMOUNT			FAIR VALUE		
COMPOSITION	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED PURCHASED OR ORIGINATED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED PURCHASED OR ORIGINATED	L1	L2	L3
1. Financing	**643,319**	**131**	**-**	**-**	**-**	**643,450**	**647,963**	**18**	**-**	**-**	**-**	**647,981**
1.1 Reverse repos	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	640,095	131	-	-	-	640,226	644,732	18	-	-	-	644,750
- with-recourse	491,546	-	-	-	-	491,546	636,287		-	-	-	636,287
- without-recourse	148,549	131	-	-	-	148,680	8,445	18	-	-	-	8,463
1.4 Other loans	3,224	-	-	-	-	-	3,231		-	-	-	3,231
2. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other activities *	**190**	**-**	**-**	**-**	**-**	**190**	**215**		**-**	**-**	**-**	**215**
Total book value	**643,509**	**131**	**-**	**-**	**-**	**643,640**	**648,178**	**18**	**-**	**-**	**-**	**648,196**

The fair value of short-term or sight receivables is assumed to beequal to the bookvalue.
* This item includes amounts receivable from finance companiesparticipating in pool factoring operations.

Part B - Notes to the Balance Sheet (Continued)

4.3 Financial assets measured at amortised cost breakdown of receivables to customers

(thousands of euros)

	12.31.2018						12.31.2017					
	CARRYING AMOUNT			FAIR VALUE			CARRYING AMOUNT			FAIR VALUE		
COMPOSITION	FIRS AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED PURCHASED OR ORIGINATED	L1	L2	L3	FIRS AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED PURCHASED OR ORIGINATED	L1	L2	L3
1. Loans	**12,315,156**	**184,643**	**-**	**-**	**-**	**12,504,561**	**9,269,661**	**207,213**	**-**	**-**	**-**	**9,480,685**
1.1 Finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	10,507,556	165,799	-	-	-	10,678,117	7,777,604	201,755	-	-	-	7,983,170
- with-recourse	3,405,040	104,469	-	-	-	3,509,509	3,421,414	141,619	-	-	-	3,563,034
- without-recourse	7,102,517	61,330	-	-	-	7,168,609	4,356,190	60,136	-	-	-	4,420,136
1.3 Consumer credit (including revolving cards)	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Pledged loans	**-**	**-**	**-**	**-**	**-**	**-**						
1.6 Financing granted in connection with payment services provided	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other loans *	1,807,599	18,845	-	-	-	1,826,444	1,492,057	5,458	-	-	-	1,497,515
of which: from the enforcement of guarantees and commitments	-	-	-	-	-	-			-	-	-	
2. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**25**	**-**	**-**	**-**	**-**	**25**	**1**	**-**	**-**	**-**	**-**	**-**
Total book value	**12,315,181**	**184,643**	**-**	**-**	**-**	**12,504,587**	**9,269,662**	**207,213**	**-**	**-**	**-**	**9,480,685**

The fair value of short-term or sight receivables is assumed to beequal to the bookvalue.

* The other loans consist of invoices issued for amounts receivable from debtors who have been granted extended terms of payment, finance to debtors on operations with payment on maturity, and assignments of receivables not covered by Law 52/91 on Factoring, in particular, the acquisition of revenue agency receivables.

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

4.4 Financial assets measured at amortised cost breakdown by debtor/issuer of loans to customers

(thousands of euros)

	12.31.2018		
	BOOK VALUE		
TYPE OF TRANSACTIONS/VALUES	FIRST AND SECOND STAGE	THIRD STAGE	OF WHICH: IMPAIRED PURCHASED OR ORIGINATED
1. Debt securities issued	**0**	**0**	**0**
a) General Government			
b) Other financial companies			
of which insurance companies			
c) Non-financial companies			
2. Loans to	**12,314,966**	**184,643**	**0**
a) General Government	2,285,796	13,146	
b) Other financial companies	-	-	
c) of which insurance companies	5,808	-	
d) Non-financial companies	8,518,416	167,963	
e) Households	1,510,754	3,534	
3. Other assets	**215**		

4.5 Financial assets measured at amortised cost gross value and total write-downs

(thousands of euros)

ITEMS/VALUES	GROSS VALUE - FIRST STAGE	GROSS VALUE - OF WHICH: LOW CREDIT RISK INSTRUMENTS	GROSS VALUE - SECOND STAGE	GROSS VALUE - THIRD STAGE	ADJUSTMENTS TO TOTAL VALUE - FIRST STAGE	ADJUSTMENTS TO TOTAL VALUE - SECOND STAGE	ADJUSTMENTS TO TOTAL VALUE - THIRD STAGE	TOTAL PARTIAL WRITE-OFFS (INFORMATIVE PURPOSE)
Debt securities issued								
Loans	10,619,024		2,687,521	376,677	7,357	9,393	191,903	114,574
Total (12.31.2018)	**10,619,024**	**-**	**2,687,521**	**376,677**	**7,357**	**9,393**	**191,903**	**114,574**
of which: impaired financial assets acquired or originated	X	X			X			

4.6 Guaranteed assets

(thousands of euros)

COMPOSITION GUARANTEED	12.31.2018 LOANS AND RECEIVABLES WITH BANKS CA	12.31.2018 LOANS AND RECEIVABLES WITH BANKS VG	12.31.2018 RECEIVABLES FROM FINANCIAL COMPANIES CA	12.31.2018 RECEIVABLES FROM FINANCIAL COMPANIES VG	12.31.2018 LOANS AND RECEIVABLES WITH CUSTOMERS CA	12.31.2018 LOANS AND RECEIVABLES WITH CUSTOMERS VG	12.31.2017 LOANS AND RECEIVABLES WITH BANKS CA	12.31.2017 LOANS AND RECEIVABLES WITH BANKS VG	12.31.2017 RECEIVABLES FROM FINANCIAL COMPANIES CA	12.31.2017 RECEIVABLES FROM FINANCIAL COMPANIES VG	12.31.2017 LOANS AND RECEIVABLES WITH CUSTOMERS CA	12.31.2017 LOANS AND RECEIVABLES WITH CUSTOMERS VG
1. Non-impaired assets guaranteed by:	**295,657**	**295,657**	**603,539**	**603,539**	**5,023,621**	**5,023,621**	**243,444**	**243,444**	**636,287**	**636,287**	**3,422,583**	**3,422,583**
- Assets in finance leases	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring *	295,427	295,427	491,546	491,546	3,405,040	3,405,040	243,444	243,444	636,287	636,287	3,421,414	3,421,414
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	230	230	111,993	111,993	1,618,581	1,618,581	-	-			1,169	1,169
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	**-**	**-**	**-**	**-**	**104,469**	**104,469**	**-**	**-**	**-**	**-**	**141,619**	**141,619**
- Assets in finance leases	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring *	-	-	-	-	104,469	104,469	-	-	-	-	141,619	141,619
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**295,657**	**295,657**	**603,539**	**603,539**	**5,128,090**	**5,128,090**	**243,444**	**243,444**	**636,287**	**636,287**	**3,564,202**	**3,564,202**

CA = carrying amount of exposures
VG = guarantees' fair value

* Guaranteed factoring loans include advances on with-recourse operations and without-recourse receivables backed by guarantees. The value of guarantees for with-recourse operations is equal to the Total Receivables up to the amount of the advance.

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and by level

(thousands of euros)

NOTIONAL VALUE/ LEVELS OF FAIR VALUE	12.31.2018 FAIR VALUE L1	12.31.2018 FAIR VALUE L2	12.31.2018 FAIR VALUE L3	12.31.2018 NA	12.31.2017 FAIR VALUE L1	12.31.2017 FAIR VALUE L2	12.31.2017 FAIR VALUE L3	12.31.2017 NA
A. Financial derivatives	-	399	-	11,279	-	1,277	-	149,315
1) Fair value	-	399		11,279	-	1,277		149,315
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in for	-	-	-	-	-	-	-	-
Total A	**-**	**399**	**-**	**11,279**	**-**	**1,277**	**-**	**149,315**
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**399**	**-**	**11,279**	**-**	**1,277**	**-**	**149,315**

Part B - Notes to the Balance Sheet (Continued)

5.2 Breakdown of item 50 "Hedging derivatives": hedged portfolios and hedge types

(thousands of euros)

	FAIR VALUE							CASH FLOW		
	SPECIFIC									
TRANSACTIONS/TYPE OF HEDGE	DEBT SECURITIES AND INTEREST RATE INDEXES	EQUITY INSTRUMENTS AND STOCK INDEXES	GOLD AND CURRENCIES	CREDIT	COMMODITIES	OTHER	GENERIC	SPECIFIC	GENERIC	INVESTMENT IN FOREIGN OPERATION
1. financial assets measured at fair value through other	-	-	-	-		-	-	-	-	-
2. Financial assets measured at amortised cost		-	-	-			-	-	-	-
3. Portfolio	-	-	-	-		-	399	-	-	-
4. Other transactions	-	-	-	-		-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**		**-**	**399**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-		-	-	-	-	-
2. Portfolio	-	-	-	-		-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**
1. Expected transactions	-	-	-	-		-	-	-	-	-
2. Financial assets and liabilities portfolio	-	-	-	-		-	-	-	-	-

Section 6 - Changes in fair value of portfolio hedged financial assets - Item 60

6.1 Composition of Item 60 "Adjustments to the value of hedged assets": breakdown by hedged portfolio

(thousands of euros)

UPGRADING VALUE OF HEDGED ASSETS	12.31.2018	12.31.2017
1. Positive adjustments	**4,762**	**3,810**
1.1 of specific portfolios:	4,762	3,810
a) financial assets measured at amortised cost	4,762	3,810
b) financial assets measured at fair value with impact on profit and loss	-	-
1.2 total	-	-
2. Negative adjustments	**-**	**-**
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value with impact on profit and loss	-	-
2.2 total	-	-
Total	**4,762**	**3,810**

Section 8 - Property, plant and equipment - Item 80

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

(thousands of euros)

ASSETS/VALUES	12.31.2018	12.31.2017
1. Owned	**14**	**1**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	14	1
d) electrical plant	-	-
e) others	-	-
2 Assets under financial lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	-	-
d) electrical plant	-	-
e) others	-	-
Total	**14**	**1**

8.2 Property, plant and equipment held for investment: composition of assets measured at cost
The Company does not hold this type of asset.

8.3 Property and equipment held for own use: breakdown of revalued assets
The Company does not hold this type of asset.

8.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value
The Company does not hold this type of asset.

8.5 Inventories of property, plant and equipment governed by IAS 2: composition
The Company does not hold this type of asset.

8.6 Property, plant and equipment: change for the year
(thousands of euros)

	LAND	BUILDINGS	FURNITURE	ELECTRONIC PLANTS	OTHERS	TOTAL
A. Gross opening balance	**-**	**-**	**1**	**-**	**-**	**1**
A.1 Total net reduction in value	-	-	-	-	-	-
A.2 Net opening balance	**-**	**-**	**1**	**-**	**-**	**1**
B. Increases	**-**	**-**	**16**	**-**	**-**	**16**
B.1 Purchases	-	-	16	-	-	16
B.2 Capitalised expenses for improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.5 Transfer of properties held for investment purposes	-	-	-	-	-	-
B.7 Other increases	-	-		-	-	-
C. Decreases	**-**	**-**	**(3)**	**-**	**-**	**(3)**
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation	-	-	(3)		-	(3)
C.3 Impairment write-downs recognised through:	-	-	-		-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-		-	-
C.4 Reduction of fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant end equipment held for investment	-	-	-	-	-	-
b) non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Closing net balance	**-**	**-**	**14**	**-**	**-**	**14**
D.1 Net total value decrease	-	-	-	-	-	-
D.2 Closing gross balance	**-**	**-**	**14**	**-**	**-**	**14**
E. Measurement at cost	**-**	**-**	**14**	**-**	**-**	**14**

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

8.7 Assets held for investment: change for the year
The Company does not hold this type of asset.

8.8 Inventories of property, plant and equipment governed by IAS 2: change for the year
The Company does not have any commitment to buy this type of asset.

8.9 Commitments to purchase property, plant and equipment
The Company does not have any commitment to buy this type of asset.

Part B - Notes to the Balance Sheet (Continued)

Section 9 - Intangible Assets - Item 90

9.1 Breakdown of item 90 "Intangible assets"

(thousands of euros)

ITEMS/EVALUATION	12.31.2018		12.31.2017	
	ASSETS MEASURED AT COST	ASSETS VALUED AT FAIR VALUE OR REASSESSED	ASSETS MEASURED AT COST	ASSETS DESIGNATED AT FAIR VALUE
1. Goodwill	-	-	-	-
2. Other intangible assets	-	-	-	-
2.1 owned	**1,061**	-	**7**	-
- generated internally	-	-	-	-
- other	1,061	-	7	-
2.2 purchased under financial lease				
Total 2	**1,061**	-	**7**	-
3. Assets related to finance leases	-	-	-	-
3.1 unopted assets	-	-	-	-
3.2 assets withdrawn following termination	-	-	-	-
3.3 other assets	-	-	-	-
Total 3	-	-	-	-
4. Assets held under operating leases	-	-	-	-
Total (1+2+3+4)	**1,061**	-	**7**	-
Total	**1,061**	-	**7**	-

9.2 "Intangible assets": change for the year

(thousands of euros)

	TOTAL
A. Initial amount	**7**
B. Increases	**1,180**
B.1 Purchases	1,180
B.2 Writebacks	-
B.3 Fair value increases:	-
a) shareholders' equity	-
b) income statement	-
B.4 Other increases	-
C. Decreases	**(126)**
C.1 Sales	-
C.2 Amortisation	(126)
C.3 Write-downs:	-
a) shareholders' equity	-
b) income statement	-
C.4 Fair value decreases:	-
a) shareholders' equity	-
b) income statement	-
C.5 Other changes	-
D. Closing balance	**1,061**

Section 10 - Tax assets and liabilities (asset item 100 and liability item 60)

10.1 Composition of item 100 "Tax assets: current and deferred"

(thousands of euros)

TAX ASSETS	12.31.2018	12.31.2017
a) current*	-	-
b) deferred	48,866	51,258
Total	**48,866**	**48,846**

10.2 Composition of item 60 "Tax liabilities: current and deferred"

(thousands of euros)

TAX LIABILITIES	12.31.2018	12.31.2017
a) current *	1,915	22,982
IRAP (regional tax on productive activity) deferred	(5,695)	(6,892)
IRES (corporateTax (expenses) income) deferred	(1,219)	0
Others	(5)	(5)
IRES Tax Provision	7,943	24,164
IRAP Tax Provision	2,573	5,715
Positive tax effect FTA IFRS 9 and 15	(1,682)	0
b) deferred	-	-
Total	**1,915**	**22,982**

* UniCredit Factoring S.p.A. is part of the UniCredit Group tax consolidation scheme. In accordance with IAS 12, fiscal assets/liabilities of the same type are offset.

10.3 Changes in deferred tax assets (offsetting the income statement)

(thousands of euros)

	CHANGES IN	
ITEMS	2018	2017
1. Outstanding at beginning of period	**51,445**	**48,676**
2. Increases	**5,184**	**7,909**
2.1 Deferred tax assets recognised during the year	5,184	7,909
a) for prior years	-	25
b) due to changes in accounting policies	367	-
c) writebacks	-	-
d) other	4,817	7,884
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	0	-
3. Decreases	**(7,905)**	**(5,460)**
3.1 Deferred tax assets cancelled in the year	(7,905)	(5,460)
a) reversals	(7,658)	(5,460)
b) write-downs due to non-recoverability	-	-
c) due to changes in accounting policies	(247)	-
d) other		
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	0
a) transformation into tax credits pursuant to Law no. 214/2011	-	0
b) others		
4. Closing balance	**48,724**	**51,125**

The start balance for 2018 differs from the end balance of 2017 due to the change in the opening balance following the introduction of the new accounting standards IFRS9 and IFRS15.

10.3.1 Changes in deferred tax assets L 214/2011 (contra entry on the income statement)

(thousands of euros)

	CHANGES IN	
ITEMS	2018	2017
1. Opening balance	**37,514**	**40,960**
2. Increases		
3. Decreases	**-**	**(3,446)**
3.1 Reversals	-	(3,446)
3.2 Transformations into tax credits	-	-
a) arising from operating losses	-	-
a) arising from tax losses	-	-
3.3 Other decreases	-	0
4. Closing balance	**37,514**	**37,514**

The increase in the table considers the contra entry of the reduction in deferred tax assets on net equity.

Part B - Notes to the Balance Sheet (CONTINUED)

10.4 Deferred tax liabilities: annual changes (balancing the income statement)

(thousands of euros)

ITEMS	CHANGES IN 2018	2017
1. Outstanding at beginning of period	**(129)**	**(129)**
2. Increases	**129**	**-**
2.1 Deferred tax assets recognised during the year	129	-
a) for prior years	-	-
b) due to changes in accounting policies	-	-
c) others	129	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		
3. Decreases	**-**	**0**
3.1 Deferred tax liabilities eliminated in the year	-	0
a) reversals		
b) due to changes in accounting policies	-	-
c) due to changes in accounting policies		
c) others	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**0**	**(129)**

10.5 Changes in deferred tax assets (offsetting entry to shareholders' equity)

(thousands of euros)

ITEMS	CHANGES IN 2018	2017
1. Outstanding at beginning of period	**133**	**170**
2. Increases	**329**	**-**
2.1 Deferred tax assets recognised during the year	329	-
a) for prior years		
b) due to changes in accounting policies	320	-
c) others	9	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		
3. Decreases	**(320)**	**(37)**
3.1 Deferred tax assets cancelled in the year	(320)	(37)
a) reversals	(320)	(37)
b) write-downs due to non-recoverability	-	0
c) due to changes in accounting policies	-	0
d) other		
3.2 Decrease in tax rates	-	0
3.3 Other decreases		
4. Closing balance	**142**	**133**

10.6 Changes in deferred taxes liabilities (offsetting entry to shareholders' equity)

(thousands of euros)

ITEMS	CHANGES IN 2018	CHANGES IN 2017
1. Outstanding at beginning of period	**129**	**129**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised during the year	-	-
a) for prior years	-	-
b) due to changes in accounting policies	-	-
c) others		-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(129)**	**0**
3.1 Deferred tax assets derecognised during the year	(129)	-
a) reversals	(129)	-
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases		
4. Closing balance	**-**	**129**

Section 12 - Other assets - Item 120

12.1 Breakdown of item 120 "Other assets"

(thousands of euros)

ITEMS	12.31.2018	12.31.2017
Effects credited to customers waiting to be collected by the bank *	28,136	8,222
Loans and receivables with the tax authorities	834	827
Guarantee deposits	114	114
Receivables from insurance companies for expected indemnities	254	207
Transitional items	6	798
Leasehold improvements	159	12
IRES tax credit**	1,717	1,876
Defined items not recognised under other items***	41,535	30,377
Other****	2,329	1,110
Total	**75,084**	**43,543**

* These are assets resulting from the subject-to-collection crediting of bills to customers, awaiting settlement by the bank.

** Benefit from the applications for refund presented in accordance with Article 2 paragraph 1 of Decree no. 201 of 6 December 2011relating to the recovery on corporation tax (IRES) of the regional production tax (IRAP) paid in relation to the cost of labour.

*** This item relates to the accrual of legal interest on assigned fiscal receivables.

**** This item includes amounts invoiced in advance by other Group companies.

Part B - Notes to the Balance Sheet

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

1.1 Breakdown of payables:

(thousands of euros)

ITEMS	12.31.2018 TO BANKS	12.31.2018 TO FINANCIAL COMPANIES	12.31.2018 TO CUSTOMERS	12.31.2017 TO BANKS	12.31.2017 TO FINANCIAL COMPANIES	12.31.2017 TO CUSTOMERS
1. Loans	12,075,969	-	-	9,047,048	-	-
1.1 Reverse repos	-	-	-	-	-	-
1.2 Other Loans	12,075,969	-	-	9,047,048	-	-
2. Other liabilities	-	90,218	217,588	-	5,988	155,089
Total	**12,075,969**	**90,218**	**217,588**	**9,047,048**	**5,988**	**155,089**
Fair value - level 1	**-**	**-**	**-**	**-**	**-**	**-**
Fair value - level 2	**-**	**-**	**-**	**-**	**-**	**-**
Fair value - level 3	**12,075,969**	**90,218**	**217,588**	**9,047,048**	**5,988**	**155,089**
Total fair value	**12,075,969**	**90,218**	**217,588**	**9,047,048**	**5,988**	**155,089**

The fair value of short-term or sight payables is assumed to beequal to the bookvalue.

IBank payables mainly consist of funding through the Parent Company. This item also includes the loans received from the participation in pool operations with UniCredit S.p.A..
Payables to customers and amounts payable to finance companies ("Other Payables") mainly represent the difference between the Total Receivables and the share of payments already advanced to assignors in relation to without-recourse operations, amounting to 248,783 thousand euros, and the debt exposure to customers, of 59,023 thousand euros.

1.2 Breakdown by category of shares in issue

The Company does not hold this type of financial liability.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and by hierarchical level:

(thousands of euros)

NOTIONAL VALUE/ LEVELS OF FAIR VALUE	12.31.2018 FAIR VALUE L1	12.31.2018 FAIR VALUE L2	12.31.2018 FAIR VALUE L3	12.31.2018 NA	12.31.2017 FAIR VALUE L1	12.31.2017 FAIR VALUE L2	12.31.2017 FAIR VALUE L3	12.31.2017 NA
A. Financial derivatives	-	9,936	-	516,015	-	7,914	-	619,117
1) Fair value	-	9,936		516,015	-	7,914	-	619,117
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in for	-	-	-	-	-	-	-	-
Total A	**-**	**9,936**	**-**	**516,015**	**-**	**7,914**	**-**	**619,117**
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**9,936**	**-**	**516,015**	**-**	**7,914**	**-**	**619,117**

L1= Level 1
L2 = Level 2
L3= Level 3
NA = Notional amount

4.2 Breakdown of item 50 "Hedging derivatives": hedged portfolios and hedge types

(thousands of euros)

TRANSACTIONS/ TYPE OF HEDGE	FAIR VALUE						CASH FLOW		INVESTMENT IN FOREIGN OPERATION
	SPECIFIC								
	DEBT SECURITIES AND INTEREST RATE INDEXES	EQUITY INSTRUMENTS AND STOCK INDEXES	GOLD AND CURRENCIES	COMMODITIES	OTHER	GENERIC	SPECIFIC	GENERIC	
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Loans and receivables	-	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	9,936	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**9,936**			
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Financial assets and liabilities portfolio	-	-	-	-	-	-	-	-	-

Section 6 - Tax liabilities - Item 60

For this item, see Section 10 - Tax assets and liabilities.

Section 8 - Other liabilities - Item 80

8.1 Breakdown of item 80 "Other liabilities"

(thousands of euros)

ITEMS	12.31.2018	12.31.2017
Payables for *Equity Settled Share Based Payments*	518	355
Payables due to employees	7,684	8,639
Payables due to other staff	1,240	938
Payables due to Directors and Statutory Auditors	262	241
Amounts available for recognition by third parties*	351,754	401,600
Items being manufactured	-	-
Trade payables	3,854	2,616
Other current liabilities	70,673	37,608
Other tax items	731	803
Transitional items awaiting classification	3,111	1,442
Total	**439,827**	**454,242**

* This item includes the receipts from debtors, to be reallocated to the respective credit positions.

Section 9 - Severance pay - Item 90

9.1 "Employee severance pay": change for the year

(thousands of euros)

ITEMS	CHANGES IN	
	2018	2017
A. Initial amount	**2,927**	**3,455**
B. Increases	**147**	**42**
B.1 Provisions in the year	41	42
B.2 Other increases	106	-
C. Decreases	**(596)**	**(570)**
C.1 Funds used in the year	(540)	(399)
C.2 Other decreases	(56)	(171)
D. Final balance	**2,478**	**2,927**

Part B - Notes to the Balance Sheet (Continued)

9.2 Other Information

The provision for severance pay is included in the plans and defined benefits and is thus determined using the actuarial methodology described in the Accounting policies section. Actuarial assumptions and the reconciliation of the present value of provisions to the liability entered in the Balance Sheet are provided below.

PRINCIPAL ACTUARIAL ASSUMPTIONS	2018	2017
Discount rate	1.60%	1.45%
Expected inflation rate	1.20%	1.40%

Amounts in € thousands

RECONCILIATIONS OF PRESENT VALUES OF PROVISIONS TO PRESENT VALUE OF PLAN ASSETS AND TO ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET	2018	2017
Present value of defined benefit plan - severance	2,478	2,927
Unrecognised actuarial gains (losses)	-	-
Net liability	2,478	2,927

The “TFR” provision 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. These benefits are determined by an independent actuary, using the Projected Unit Credit Method.

Following the reforms to supplementary pensions in legislative decree no. 252 of 5 December 2005, post-employment benefits accruing up to 12.31.2006 remain with the company, while the TFR accruing from 1 January 2007 can be allocated either to supplementary pension schemes or transferred to the INPS pension fund, at the employee’s discretion. The choice is to be made by 06.30.2007.

The result is that:
the TFR provision accrued up to 12.31.2006 (or until the date of the option - falling between 01.01.2007 and 06.30.2007 - adopted by the employees if the they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a “defined-benefit” plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises.

The amounts accrued from 01.01.2007 (or from the date of the option - falling between 01.01.2007 and 06.30.2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a “defined- contribution” plan (as the Company’s liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

The costs of TFR accruing during the year are entered on the income statement in item 110 a) “Personnel costs”, and include interest accrued in the year (interest cost) on the obligation already existing as at the date of the Reform and the accrued instalments for the year paid into the supplementary pension scheme or to the Treasury Fund of INPS.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at the end of the period, are recognised in equity as part of the valuation reserves.

A change of -25 basis points in the discount rate would result in an increase in liabilities of 57,752 euro (+2.33%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of 56,302 euro (-2.27%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of 35,136 euro (-1.42%). an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of 35,583 euro (+1.44%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: composition

(thousands of euros)

ITEMS/VALUES	12.31.2018	12.31.2017
1. Provisions for credit risk relating to commitments and financial guarantees given	2,314	-
2. Provisions for other commitments and other guarantees issued		
3. Pensions and other post-retirement benefit obligations	1,612	1,541
4. Other provisions for risks and charges	**34,992**	**52,381**
4.1 legal and tax disputes	33,063	43,793
4.2 personnel expenses	1,638	1,752
4.3 other	291	6,836
Total	**38,918**	**53,922**

The Company is currently involved in legal proceedings and revocatory actions with a total maximum risk of 121.9 million (64.7 million at the end of 2017). This is covered by funds of 11.9 million which are the best estimate of the cost that the Company expects to incur, against risks in which it is likely to be the losing party. The Provision for personnel costs relates to the variable discretionary pay component.
During 2018, legalproceedings were startedagainstthe Company byafactor who, together with otherfinanceinstitutions, hadtaken part ina pool factoring operation. The action was taken in respect of losses allegedly caused as a result of the Company's management as lead partner of the pool. The claim has been quantified at €22 million. The proceedings have currently been suspended, pending final judgments in other connected cases started by the Companyonbehalf of the poolagainst the assigned debtor, seeking acknowledgement of the existence of the receivables acquired during the operation, which according to the first instance judgement (all of which were appealed) had been declared to be non-existent, for the most part. Withthe support of its external legal advisers, the Companyhas taken apositive view of its position and the possibility ofdefending the case. It considers that the risk of loss, prudentially, is possible or remote andtherefore in accordance with IAS 37, no provision has been made.

10.2 Provisions for risks and charges: change for the year

(thousands of euros)

ITEMS	PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES	COMPANY PENSION FUNDS	OTHER PROVISIONS FOR RISKS AND CHARGES	TOTAL
A. Initial amount	**-**	**1,541**	**52,381**	**53,922**
B. Increases	**2,314**	**71**	**4,955**	**7,340**
B.1 Allocation in the year	2,314	71	4,955	7,340
B.2 Changes due to passage of time				-
B.3 Changes due to changes in discount rate				-
B.4 Other adjustments			-	-
C. Decreases	**-**	**-**	**(22,344)**	**(22,344)**
C.1 Amounts used in the year			(22,344)	(22,344)
C.2 Changes due to changes in discount rate				-
C.3 Other adjustments				-
D. Closing balance	**2,314**	**1,612**	**34,992**	**38,918**

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

(thousands of euros)

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
ITEMS	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL
1. Other commitments to disburse	2,131	183		2,314
2. Financial guarantees issued				-
Total	**2,131**	**183**	**-**	**2,314**

10.5 Pensions and post-retirement defined-benefit obligations

(thousands of euros)

ITEMS	12.31.2018	12.31.2017
Pensions and other post-retirement benefit obligations - Incentive for early retirement for senior management	1,612	1,541
Total	**1,612**	**1,541**

10.6 Provisions for risks and charges: other provisions

(thousands of euros)

ITEMS	12.31.2018	12.31.2017
Fund for actions to void in bankruptcy	6,761	15,555
Provision for legal disputes	24,321	27,048
Provision for personnel charges	1,638	1,753
Other risk provisions	2,272	8,025
Total	**34,992**	**52,381**

Part B - Notes to the Balance Sheet (Continued)

Section 11 - Shareholders' equity - Items 110, 120, 130, 140, 150, 160 and 170

11.1 Breakdown of item 110 "Share Capital"

(thousands of euros)

TYPES	12.31.2018	12.31.2017
1. Capital	**414,348**	**414,348**
1.1 Ordinary shares	414,348	414,348
1.2 Other shares	-	-

There are 80,300,000 ordinary shares.

11.4 Breakdown of item 140 "Share premium reserve"

(thousands of euros)

TYPES	12.31.2018	12.31.2017
1. Share premium reserve	**951**	**951**
1.1 Additional charge resulting from the 1997 capital increase	951	951

11.5 Other Information

(thousands of euros)

ITEMS	LEGAL RESERVE	PROFIT CARRIED FORWARD	STATUTORY RESERVE	INSURANCE PROVISION	TOTAL
A. Initial amount	**32,060**	**118**	**185**	**238,425**	**270,788**
B. Increases	**3,051**	**-**	**-**	**15,393**	**18,444**
B.1 Profit allocation	3,051		-	15,393	18,444
B.2 Other increases	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(4,324)**	**(4,324)**
C.1 Uses	-	-	-	-	-
- to cover losses	-	-	-	-	-
- distribution	-	-	-	-	-
- capitalisation	-	-	-	-	-
C.2 Other decreases	-	-	-	(4,324)	(4,324)
D. Closing balance	**35,111**	**118**	**185**	**249,494**	**284,908**

"Other Reserves" are mainly forms of undistributed profits.

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

	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			
	FIRST STAGE	SECOND STAGE	THIRD STAGE	12.31.2018
1. Other commitments to disburse funds	**2,509,260**	**324,050**	**25,265**	**2,858,575**
a) General Government	24,410	63,849	2,349	90,608
b) Banks	3,174			3,174
c) Other financial companies	1,542,938	38,297		1,581,235
d) Non-financial companies	919,992	221,579	22,703	1,164,274
e) Households	18,746	325	213	19,284
2. Financial guarantees issued				**-**
a) General Government				-
b) Banks				-
c) Other financial companies				**-**
d) Non-financial companies				**-**
e) Households				**-**

Analysis of shareholders' equity with reference to availability and possibility of distribution (Art. 2427, n. 7 bis) (thousands of euros)

TYPE/DESCRIPTION	AMOUNT	POSSIBILITY OF USE	AVAILABLE PORTION	SUMMARY OF USES IN THE PREVIOUS THREE FINANCIAL YEARS	
				TO COVER LOSSES	FOR OTHER REASONS
Capital	**414,348**		**-**		
Capital reserve:	**951**		**-**		
- Share premium reserve	951	B	-		
Reserves from profits	**284,907**		**250,084**		
- Statutory Reserve	185	A, B, C	185		
- Legal Reserve	35,111	B	-		
- FTA reserve	(447)		-		
- Other Reserves *	249,940	A, B, C	249,781		
- Profit from previous financial year	118	A, B, C	118		
- Profit from financial year	**29,399**		**-**		
Total	**729,605**	**-**	**250,084**		

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

* In accordance with OIC 28 and Article 2426 para. 5 civil code, the unavailable portion relates to the value of the costs of goodwill and expansion recognised under "Other Assets", which for 2018 amounted to 159 thousand euros.

Part C - Information on the Income Statement

Part C - Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Composition of Item 10 "Interest and similar income"

(thousands of euros)

ITEMS/TYPE	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2018	2017
1. Financial assets measured at fair value through other comprehensive income					
1.1 Financial assets held for trading:	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Financial assets obligatorily valued at fair value	-	-	-	-	-
2. financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**
3. Financial assets measured at amortised cost	**-**	**134,042**	**-**	**134,042**	**120,634**
3.1 Receivables to banks	-	11,600	-	11,600	1,425
3.2 Loans and receivables to financial institutions	-	6,456	-	6,456	2,484
3.3 Loans and receivables to customers	-	115,986	-	115,986	116,725
4. Hedging derivatives	**-**	**-**	**-**	**-**	**-**
5. Other assets	**-**	**-**	**-**	**-**	**-**
6. Financial liabilities	**-**	**-**	**-**	**-**	**-**
Total	**-**	**134,042**	**-**	**134,042**	**120,634**
of which: interest income from impaired financial assets	**-**	**7,350**	**-**	**7,350**	**4,960**

Interest income other than that recognised in the item Write-backs, accruing in 2018 against exposure classified in impaired loans amounted to 7.35 million as at 31 December.

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

(thousands of euros)

ITEMS/TYPE	LOANS	SECURITIES	OTHER	2018	2017
1. Financial liabilities measured at amortised cost					
1.1 Deposits from banks	(9,883)	-	-	(9,883)	(2,384)
1.2 Deposits from financial institutions	-	-	-	-	-
1.3 Deposits from customers	-24.00	-	-	(24)	0
1.4 Debt securities in issue	-	0	-	0	(725)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities	**-**	**-**	**-**	**-**	**-**
5. Hedging derivatives	**-**	**-**	**(3,911)**	**(3,911)**	**(3,397)**
6. Financial assets	**-**	**-**	**-**	**-**	**-**
Total	**(9,907)**	**0**	**(3,911)**	**(13,818)**	**(6,506)**

The increase in interest income and interest cost relates to the rise in average loan volumes.

Section 2 - Commission - Items 40 and 50

2.1 Composition of Item 40 "Fees and commission income"

(thousands of euros)

DETAILS	2018	2017
1. Financial leasing operations	-	-
2. Factoring operations	74,444	67,307
3. Consumer credit	-	-
4. Guarantees given	-	-
5. Services of:	-	-
- Fund management on behalf of third parties	-	-
- Foreign exchange brokerage	-	-
- Distribution of products	-	-
- Other	-	-
6. Collection and payment services	-	172
7. Servicing in securitisation transactions	-	-
8. Other fees and commissions: recovery of expenses from customers for setting up credit facilities, account management expenses, etc.	2,031	1,771
Total	**76,475**	**69,250**

2.2 Composition of Item 50 “Fees and commission expense”

(thousands of euros)

DETAILS	2018	2017
1. Guarantees received	(6,899)	(6,068)
2. Third-party service distribution	-	-
3. Collection and payment services	(1,156)	(901)
4. Other fees and commissions	(8,506)	(6,744)
4.1 Commissions	(2,638)	(3,379)
4.2 Cost of credit reinsurance	(5,869)	(3,365)
Total	**(16,561)**	**(13,713)**

Section 4 - Net trading result - Item 80

4.1 Breakdown of item 80 “Net trading result”

(thousands of euros)

	2018				
TRANSACTIONS/P&L ITEMS	GAINS (A)	PROFITS ON TRADING (B)	LOSSES (C)	TRADING LOSSES (D)	NET GAIN (LOSS) [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units in Investment Funds	-	-	-	-	
1.4 Loans	-	-	-	-	-
1.5 Other assets	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**-**	**23**	**-**	**-**	**23**
4. Financial derivatives:		**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to fair value option	-	-	-	-	-
Total	**-**	**23**	**-**	**23**	**23**

Part C - Information on the Income Statement (CONTINUED)

Section 8 - Net impairment adjustments - Item 130

8.1 "Net impairment adjustments on receivables"

(thousands of euros)

ITEMS/ADJUSTMENTS	ADJUSTMENTS TO VALUE			IMPAIRMENT REVERSALS			2018	2017
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE			
		WRITE OFF	OTHERS		WRITE OFF	OTHERS		
1. Loans and receivables with banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired loans acquired or originated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- from leasing	-	-	-	-	-	-	-	-
- from factoring	-	-	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-	-	-
Other loans and receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- from leasing	-	-	-	-	-	-	-	-
- from factoring	-	-	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-	-	-
2. Receivables from financial compan	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired loans acquired or originated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- from leasing	-	-	-	-	-	-	-	-
- from factoring	-	-	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-	-	-
Other loans and receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- from leasing	-	-	-	-	-	-	-	-
- from factoring	-	-	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-	-	-
3. Loans and receivables with custom	**(195)**	**(6,888)**	**(94,023)**	**-**	**-**	**11,290**	**(89,816)**	**(14,660)**
Impaired loans acquired or originated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- from leasing	-	-	-	-	-	-	-	-
- from factoring	-	-	-	-	-	-	-	-
- other loans and receivables	-	-	-	-	-	-	-	-
Other loans and receivables	**(195)**	**(6,888)**	**(94,023)**	**-**	**-**	**11,290**	**(89,816)**	**(14,660)**
- from leasing	-	-	-	-	-	-	-	-
- from factoring *	(61)	(6,888)	(93,965)	-	-	11,290	(89,624)	(14,079)
- from consumer credit	-	-	-	-	-	-	0	-
- pledged loans	-	-	-	-	-	-	0	-
- other loans and receivables	(134)	-	(58)	-	-	-	(192)	(581)
Total	**(195)**	**(6,888)**	**(94,023)**	**-**	**-**	**11,290**	**(89,816)**	**(14,660)**

The stage 3 value adjustments mainly relate to 2 positions, most of which have been written off.

8.4 Composition of sub-item 100.b "Net impairment adjustments for other finance operations"

There are no impairment adjustments for other finance operations.

Section 10 - Administrative costs - Item 160

10.1 Personnel costs: composition

(thousands of euros)

ITEMS/SECTORS	2018	2017
1. Personnel employed	**(21,818)**	**(22,550)**
a) salaries and wages	(14,944)	(15,273)
b) social security costs	(4,822)	(4,430)
c) staff severance pay	(114)	(117)
d) pensions	-	-
e) allocation to staff severance pay	(62)	(60)
f) provision for retirements and similar provisions	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payment to supplementary external pension funds	(811)	(813)
- defined contribution	(811)	(813)
- defined benefit	-	-
h) other employee benefits	(1,065)	(1,857)
2. Other working staff	**0**	**0**
3. Directors and Statutory Auditors	**(293)**	**(264)**
4. Employees on sabbatical	**-**	**-**
5. Recoveries of payments for employees seconded to other companies	**798**	**377**
6. Reimbursement of expenses for employees seconded to the company *	**(6,427)**	**(4,473)**
Total	**(27,740)**	**(26,910)**

* The item “Reimbursement of costs for employees seconded to the Company” mainly relates to the cost of seconded personnel.

This item, which increased in 2018, constitutes part of the increase in personnel cost, which has however been offset by a reduction in other benefits to employees

10.2 Average number of employees by category

PERSONNEL EMPLOYED	2018	2017
Executives	7.2	7.5
Middle managers	154.1	161.0
Other employees	94.0	102.0
Total personnel employed	**255.3**	**270.5**
Other staff	65.4	42.5
Total	**320.7**	**313.0**

Part C - Information on the Income Statement (Continued)

10.3 Other administrative expenses - Breakdown”

(thousands of euros)

EXPENSE CATEGORIES	2018	2017
1) Indirect taxes and duties	**(769)**	**(822)**
1a. Settled:	(769)	(822)
1b. Not settled:	-	-
2) Guarantee fee for DTA conversion	**(308)**	**(2)**
3) Miscellaneous costs and expenses	**(19,457)**	**(18,847)**
a) advertising marketing and communication	**(300)**	**(200)**
b) expenses related to credit risk	**(2,507)**	**(2,729)**
c) indirect expenses related to personnel	**(867)**	**(812)**
d) Information & Communication Technology expenses	**(7,604)**	**(7,375)**
Hardware expenses: lease and maintenance	-	-
Software expenses: lease and maintenance	-	-
ICT communication systems	(394)	(403)
ICT services: external personnel/outsourced services	(7,210)	(6,972)
Financial information providers	-	-
e) consulting and professionals services	**(994)**	**(572)**
Consulting	(740)	(512)
Legal expenses	(254)	(60)
f) real estate expenses	**(2,440)**	**(2,336)**
Premises rentals	(1,595)	(1,592)
Users	(356)	(412)
Other real estate expenses	(489)	(332)
g) operating costs	**(4,745)**	**(4,823)**
Surveillance and security services	0	-
Money counting services and transport	0	-
Insurance Companies	(63)	(154)
Postage and transport of documents	(410)	(418)
Printing and stationery	(31)	(43)
Administrative and logistic services	(4,147)	(4,113)
Rights, dues and contributions to trade associations and protection funds	(82)	(61)
Other administrative expenses - other	(12)	(34)
Total (1+2)	**(20,534)**	**(19,671)**

The increase in administration costs compared to the previous year can mainly be explained by the increase in the costs of ICT and the costs of professional services and consulting.

Section 11 - Net provisions for risks and charges - Item 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees given breakdown”

(thousands of euros)

PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND GUARANTEES	2018	2017
- Provision for line commitments	(1,871)	0
Total	**(1,871)**	**0**

11.2 Net provisions relating to Other commitments and guarantees issued: composition

There are no provisions relating to other commitments and guarantees issued.

11.3 Net allocations to Other provisions for risks and charges: composition

(thousands of euros)

NET PROVISIONS FOR OTHER PROVISIONS FOR RISKS AND CHARGES	2018	2017
- Provision for actions to void in bankruptcy	(2,799)	(11,540)
- Provision for legal disputes	(2,200)	(14,509)
- Other provisions for risks and charges	(16)	(619)
- Write-back of provisions for risks and charges	3,611	2,632
Total	**(1,404)**	**(24,036)**

Refer to table 10 in the liabilities on the Balance Sheet (Breakdown of item 100 “Provision for risks and charges”) and to the financial report.

Section 12 - Net value adjustments/write-backs on property, plant and equipment - Item 180

12.1 Net value adjustments/write-backs on property, plant and equipment: composition

(thousands of euros)

ASSET/INCOME ITEM	2018				2017			
	AMORTISATION AND DEPRECIATION (a)	WRITEDOWNS FOR IMPAIRMENT (b)	WRITEBACKS (c)	NET PROFIT/LOSS (a+b+c)	AMORTISATION AND DEPRECIATION (a)	WRITEDOWNS FOR IMPAIRMENT (b)	WRITEBACKS (c)	NET PROFIT/ LOSS (a+b+c)
A. Property, plant and equipment	**(3)**	**-**	**-**	**(3)**	**(2)**	**-**	**-**	**(2)**
A.1 Owned	(3)	-	-	(3)	(2)	-	-	(2)
- for operations	-	-	-	-	-	-	-	-
- held for investment	-	-	-	-	-	-	-	-
- inventories	(3)	-	-	(3)	(2)	-	-	(2)
A.2 Acquired under finance leases	-	-	-	-	-	-	-	-
- for operations	-	-	-	-	-	-	-	-
- held for investment	-	-	-	-	-	-	-	-
A.3 Held under operating leases	-	-	-	-	-	-	-	-
Total	**(3)**	**-**	**-**	**(3)**	**(2)**	**-**	**-**	**(2)**

Section 13 - Net value adjustments/write-backs on intangible assets - Item 190

13.1 Breakdown of item 190 “Net value adjustments/write-backs on intangible assets”

(thousands of euros)

ITEMS/ADJUSTMENTS AND WRITE-BACKS	2018				2017			
	AMORTISATION AND DEPRECIATION (a)	WRITE-DOWNS FOR IMPAIRMENT (b)	WRITEBACKS (c)	NET PROFIT/LOSS (a+b+c)	AMORTISATION AND DEPRECIATION (a)	WRITE-DOWNS FOR IMPAIRMENT (b)	WRITEBACKS (c)	NET PROFIT/ LOSS (a+b+c)
1. Other intangible assets	**(126)**	**-**	**-**	**(126)**	**(69)**	**-**	**-**	**(69)**
1.1 owned	(126)	-	-	(126)	(69)	-	-	(69)
1.2 leased	-	-	-	-	-	-	-	-
2. Assets related to finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Assets held under operating leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(126)**	**-**	**-**	**(126)**	**(69)**	**-**	**-**	**(69)**

Section 14 - Other operating income and expenses - Item 200

14.1 Composition of Item 200 “Other income and operating expenses”

(thousands of euros)

ITEMS/OTHER INCOME AND OPERATING EXPENSES	2018	2017
- legal fees from customers	611	619
- mixed use company car	42	39
- lease and rental assets	6	7
- insurance compensation	583	1,853
- miscellaneous revenues	2,460	651
Total other operating income	**3,702**	**3,169**
- Other operating expenses	(274)	(395)
Total other operating expenses	**(274)**	**(395)**
Total of other operating income and expenses	**3,428**	**2,774**

Part C - Information on the Income Statement (Continued)

Section 19 - Tax (expenses) income of the year from continuing operations - Item 270

19.1 Composition of Item 270 "Tax (expenses) income of the year from continuing operations"

(thousands of euros)

ITEMS/ADJUSTMENTS AND RECOVERIES	2018	2017
1. Current tax	(10,516)	(29,879)
2. Adjustment to current tax of prior years	541	1,317
3. Reduction in current tax for the year	-	-
3.bis Reduction in current tax for the year due tax credit under Law 214/2011		
4. Change in prepaid tax	(2,721)	2,449
5. Change in deferred tax	-	0
Taxes pertaining to the year	**(12,696)**	**(26,113)**

19.2 Reconciliation between theoretical tax charges and effective expense

(thousands of euros)

ITEMS/ADJUSTMENTS AND RECOVERIES	2018	2017
Profit (Loss) before tax from continuing operations	**42,095**	**87,116**
Theoretical applicable tax rate	27.5%	27.5%
Theoretical tax	(11,576)	(23,957)
Fiscal effects deriving from:		
+ Non-taxable income - permanent differences	-	-
- Non-deductible expenses - permanent differences	(5,620)	(8,176)
- IRAP tax	(2,573)	(5,715)
+ Recognition of assets for prepaid and deferred tax	(2,721)	
+/- Other differences (reversals to C/E deferred tax assets recognised in previous years and ACE)	9,794	11,735
Tax (expenses) income posted to the income statement	**(12,696)**	**(26,113)**
Tax (expenses) income on continuing operations	**(12,696)**	**(26,113)**
Difference	**-**	**-**

The effective tax rate in 2018 was 30.16% compared to 29.98% in the previous year.

Section 21 - Income statement - Other information

21.1 Breakdown of interest income and commission income

(thousands of euros)

	INTEREST INCOME			FEE AND COMMISSION INCOME				
ITEMS/COUNTERPARTIES	BANK NAME	FINANCIAL COMPANIES	CUSTOMERS	BANK NAME	FINANCIAL COMPANIES	CUSTOMERS	2018	2017
1. Finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- fixed assets	-	-	-	-	-	-	-	-
- movable property assets	-	-	-	-	-	-	-	-
- capital goods	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**11,600**	**6,456**	**115,986**	**435**	**5,152**	**70,888**	**210,517**	**189,884**
- on current receivables	11,575	1,809	44,916	435	2,080	39,815	100,630	106,293
- on future receivables	-	68	4,210	-	166	3,339	7,783	11,134
- on receivables acquired on a permanent basis	3	3,523	53,450	-	2,182	17,542	76,700	72,219
- on receivables acquired below initial value	-	-	-	-	-	-	-	-
- for other financing	22	1,056	13,410	-	724	10,192	25,404	238
3. Consumer loans	**-**	**-**	**-**	**-**		**-**	**-**	**-**
- personal loans	-	-	-	-	-	-	-	-
- special-purpose loans	-	-	-	-	-	-	-	-
- loans against wages	-	-	-	-	-	-	-	-
4. Pledged loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Guarantees and commitm	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- trade	-	-	-		-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**11,600**	**6,456**	**115,986**	**435**	**5,152**	**70,888**	**210,517**	**189,884**

Part D - Other information

Part D - Other information

Section 1 - Specific references on activities carried out

B. Factoring and assignment of receivables

B.1 Gross value and book value

B.1.1 Factoring operations

(thousands of euros)

ITEM/VALUES	12.31.2018 GROSS VALUE	12.31.2018 WRITE-DOWNS	12.31.2018 NET VALUE	12.31.2017 GROSS VALUE	12.31.2017 WRITE-DOWNS	12.31.2017 NET VALUE
1. Unimpaired assets	**11,465,487**	**16,217**	**11,449,266**	**8,691,026**	**14,487**	**8,676,540**
- exposures to assignors (with-recourse)	4,206,691	14,678	4,192,012	4,310,658	9,513	4,301,145
- assignment of future receivables	*280,052*	*414*	*279,637*	*177,121*	*236*	*176,885*
- other	*3,926,639*	*14,264*	*3,912,376*	*4,133,537*	*9,277*	*4,124,260*
- exposures to assigned debtors (without-recourse)	7,258,796	1,539	7,257,254	4,380,368	4,974	4,375,395
2. Non-Performing exposures	**302,480**	**136,551**	**165,929**	**337,985**	**136,212**	**201,773**
2.1Bad loans	**148,590**	**107,635**	**40,955**	**134,069**	**91,238**	**42,831**
- exposures to assignors (with-recourse)	136,479	99,078	37,401	124,420	84,550	39,870
- assignment of future receivables	*30,692*	*22,618*	*8,074*	*7,651*	*2,763*	*4,888*
- other	*105,787*	*76,461*	*29,326*	*116,769*	*81,787*	*34,982*
- exposures to assigned debtors (without-recourse)	12,111	8,557	3,554	9,649	6,688	2,961
- purchases below nominal value	-	-	-	-	-	-
- other	*12,111*	*8,557*	*3,554*	*9,649*	*6,688*	*2,962*
2.2 Unlikely to pay	**48,819**	**23,662**	**25,157**	**97,600**	**39,541**	**58,059**
- exposures to assignors (with-recourse)	33,890	17,218	16,672	77,982	29,635	48,347
- assignment of future receivables	*711*	*486*	*225*	*27,479*	*10,189*	*17,290*
- other	*33,179*	*16,732*	*16,447*	*50,503*	*19,446*	*31,057*
- exposures to assigned debtors (without-recourse)	14,929	6,443	8,486	19,618	9,906	9,712
- purchases below nominal value	-	-	-	-	-	-
- other	*14,929*	*6,443*	*8,486*	*19,618*	*9,906*	*9,711*
2.3 Past-due exposures	**105,071**	**5,254**	**99,817**	**106,316**	**5,433**	**100,883**
- exposures to assignors (with-recourse)	53,049	2,652	50,397	56,278	2,876	53,402
- assignment of future receivables	*1,709*	*85*	*1,624*	*254*	*13*	*241*
- other	*51,340*	*2,567*	*48,773*	*56,024*	*2,863*	*53,161*
- exposures to assigned debtors (without-recourse)	52,022	2,601	49,421	50,038	2,557	47,481
- purchases below nominal value	-	-	-	-	-	-
- other	*52,022*	*2,601*	*49,421*	*50,038*	*2,557*	*47,481*
Total	**11,767,965**	**152,769**	**11,615,197**	**9,029,011**	**150,699**	**8,878,313**

Other assignments

(thousands of euros)

ITEM/VALUES	12.31.2018 GROSS VALUE	12.31.2018 WRITE-DOWNS	12.31.2018 NET VALUE	12.31.2017 GROSS VALUE	12.31.2017 WRITE-DOWNS	12.31.2017 NET VALUE
1. Unimpaired assets	**1,528,633**	**404**	**1,528,230**	**1,232,674**	**269**	**1,232,405**
- exposures to assignors (with-recourse)	90,605	201	90,404	35,607	85	35,522
- assignment of future receivables	-	-	-	-	-	-
- other	*90,605*	*201*	*90,404*	*35,607*	*85*	*35,522*
- exposures to assigned debtors (without-recourse)	1,438,028	203	1,437,826	1,197,067	184	1,196,883
2. Non-Performing exposures	**3,127**	**2,940**	**187**	**4,544**	**2,881**	**1,662**
2.1 Bad loans	**2,024**	**1,973**	**51**	**-**	**-**	**-**
- exposures to assignors (with-recourse)	2,024	1,973	51	-	-	-
- assignment of future receivables	-	-	-	-	-	-
- other	*2,024*	*1,973*	*51*	-	-	-
- exposures to assigned debtors (without-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- other	-	-	-	-	-	-
2.2 Unlikely to pay	**1,089**	**966**	**123**	**4,540**	**2,881**	**1,658**
- exposures to assignors (with-recourse)	1,089	966	123	4,540	2,881	1,658
- assignment of future receivables	-	-	-	-	-	-
- other	*1,089*	*966*	*123*	*4,540*	*2,881*	*1,658*
- exposures to assigned debtors (without-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- other	-	-	-	-	-	-
2.3 Restructured Exposures	**-**	**-**	**-**	**-**	**-**	**-**
- exposures to assignors (with-recourse)	-	-	-	-	-	-
- assignment of future receivables	-	-	-	-	-	-
- other	-	-	-	-	-	-
- exposures to assigned debtors (without-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- other	**-**	**-**	**-**	**-**	**-**	**-**
2.3 Past-due exposures	**14**	**1**	**13**	**4**	**-**	**4**
- exposures to assignors (with-recourse)	14	1	13	4	-	4
- assignment of future receivables	*14*	*1*	*13*	*4*	-	*4*
- other	-	-	-	-	-	-
- exposures to assigned debtors (without-recourse)	-	-	-	-	-	-
- purchases below nominal value	-	-	-	-	-	-
- other	-	-	-	-	-	-
Total	**1,531,760**	**3,344**	**1,528,417**	**1,237,218**	**3,150**	**1,234,067**

B.1.2 Acquisition of impaired receivables other than factoring.
The Company does not carry out this type of operation.

Part D - Other information (Continued)

B.2 Distribution according to residual life

Past-due receivables, if not impaired, are classified in the "on demand" category, while if impaired they are classified according to the estimated expiry date, for the Balance Sheet valuations.

B.2.1 With-recourse factoring operations: advances and "Total Receivables"

(thousands of euros)

	ADVANCES		TOTAL RECEIVABLES	
MATURITY BANDS	12.31.2018	12.31.2017	12.31.2018	12.31.2017
- on demand	1,253,185	1,409,693	2,335,979	2,284,012
- up to 3 months	2,012,818	1,819,621	2,826,414	2,825,483
- from over 3 months to 6 months	393,623	549,421	674,011	867,920
- between 6 months and 1 year	336,507	363,512	447,830	429,576
- over 1 year	300,349	300,517	379,595	360,571
- indefinite duration				
Total	**4,296,482**	**4,442,764**	**6,663,829**	**6,767,562**

Other assignments

(thousands of euros)

	ADVANCES		TOTAL RECEIVABLES	
MATURITY BANDS	12.31.2018	12.31.2017	12.31.2018	12.31.2017
- on demand	9,234	35,042	41,907	15,361
- up to 3 months	67,451	124	59,513	7,060
- from over 3 months to 6 months	2,430	-	4,078	-
- between 6 months and 1 year	4,646	1,347	7,709	28,535
- over 1 year	6,766	668	10,057	6,587
- indefinite duration	-	-		
Total	**90,527**	**37,180**	**123,264**	**57,543**

B.2.2 Without-recourse factoring operations: unimpaired

(thousands of euros)

	EXPOSURES	
MATURITY BANDS	12.31.2018	12.31.2017
- on demand	1,033,890	895,816
- up to 3 months	5,316,424	2,669,642
- from over 3 months to 6 months	462,637	397,894
- between 6 months and 1 year	226,999	172,319
- over 1 year	278,765	299,878
- indefinite duration		
Total	**7,318,715**	**4,435,549**

Other assignments

(thousands of euros)

	EXPOSURES	
MATURITY BANDS	12.31.2018	12.31.2017
- on demand	432,298	171,629
- up to 3 months	452,590	24,663
- from over 3 months to 6 months	168,673	30,012
- between 6 months and 1 year	246,634	657,307
- over 1 year	137,631	313,272
- indefinite duration		
Total	**1,437,826**	**1,196,883**

B.2.3 Acquisitions of impaired receivables other than factoring

The Company does not carry out this type of operation.

B.3 Other information

B.3.1 Turnover of receivables in factoring operations

(thousands of euros)

ITEM	EXPOSURES 12.31.2018	12.31.2017
1. Without-ecourse transactions	34,071,803	19,635,167
- of which purchases below nominal value		
2. Recourse transactions *	22,763,339	19,232,490
TOTAL	**56,835,142**	**38,867,657**

* This figure includes 9,477,082 thousand euros for 2017 and 9,862,701 thousand euros for 2018, of without-recourse contracts that did not pass the IFRS 9 recognition test.

The turnover from other assignments was 803,703 thousand euros.

B.3.2 Collection services

There are no receivables for which collection-only services are provided.

B.3.3 Nominal value of contracts for the acquisition of future receivables

(thousands of euros)

ITEM	12.31.2018	12.31.2017
Flow of contracts for the purchase of future receivables during the year	25,678,812	2,310,560
Amount of contracts outstanding at year-end	21,592,582	9,540,373

Margin between the limit granted to customers, and receivables acquired on a with-recourse basis

ITEM	12.31.2018	12.31.2017
Margin	587,815	317,087

The value in the table represents the difference between the loan granted to the assignor and the Total Receivables relating only to with- recourse operations.

Part D - Other information (Continued)

D. Guarantees and commitments

D.1 Value of real or personal guarantees issued, and of commitments

(thousands of euros)

TRANSACTIONS	12.31.2018	12.31.2017
1) Financial guarantees given on first demand	-	-
a) Banks	-	-
d) Financial Institutions	-	-
c) Customers	-	-
2) Other financial guarantees given	-	129
a) Banks		
d) Financial Institutions		
c) Customers	-	129
3) Commercial guarantees given to	-	-
a) Banks *	-	-
d) Financial Institutions	-	-
c) Customers	-	-
4) Other irrevocable commitments to disburse funds	2,147,663	396,274
a) Banks	-	-
i) certain use	-	-
ii) not certain to be called on	-	-
d) Financial Institutions	-	-
i) certain use	-	-
ii) not certain to be called on	-	-
c) Customers	2,147,663	396,274
i) certain use	1,738,795	-
ii) not certain to be called on	408,868	396,274
5) Underlying obligations for credit derivatives: sales of protection	-	-
6) Assets used to guarantee others' obligations	-	-
7) Other irrevocable commitments	713,225	-
a) to issue guarantees		
b) other	713,225	
Total	**2,860,888**	**396,403**

The irrevocable commitments to loan funds for uncertain use consists of the non-advanced part of the without-recourse contracts that do not pass the IFRS 9 derecognition test, and the unused part of the committed lines. In this last case, they are only used after a receivables assignment is presented.

D.2 Loans recognised after enforcement

Not Present.

Section 3 - Information on risks and the respective hedging policies

3.1 Credit risk

QUALITATIVE INFORMATION

1. General Aspects

Factoring offers multiple services to meet businesses' needs for cash flow management, to guarantee assigned receivables to customers and finance then if necessary.

The credit risk borne by the factor only shares some of the characteristics typical of the credit risk associated with banking.

While in banking, the similar technique of providing advances on invoices consists of the granting of cash credit mainly on the basis of the customer's credit rating, factoring operations are also based on the characteristics of the receivables to be acquired, the profile of individual debtors, and their mode of operation.

When the risk is accepted, the factoring company will evaluate two parties: the assigning supplier and the assigned debtor, whose credit profiles will both be analysed; The acceptance of risk on these parties may take various configurations, depending on the type of product requested by the customer/assignor.

When the factor advances the receivables to the assignor, it is exposed by the amount equal to the agreed advance, which cannot exceed the Total Receivables assigned.

In a without-recourse (pro soluto) contract, the factoring company guarantees the assignor against the default by the assigned debtor, except in cases explicitly governed by the contract. The factor agrees to pay the amount of the assigned receivables after a specified number of days after the receivables become due, except in the case of definitive acquisition, where the payment (discount) takes place at the same time as the assignment.

Depending on the chosen modus operandi, the factoring company will have greater protection if the credit acquisition process is accompanied by:
- notification to the debtor that the receivables have been assigned;
- recognition by the debtor that the receivables have been assigned;
- certification by the public administration of the assigned receivables;
- the acquisition of trade receivables, compared to other types of receivable;
- the acquisition of receivables that are due and payable or about to fall due, compared to the financing of future receivables;
- the presence of a restricted current account, for operations where notifications are not given on a continuous basis.

A without-recourse contract with the provision of finance and/or guarantee services, exposes the factor to credit risk, against the assigned debtors.

With a with-recourse contract, the risk is diversified: the factor becomes the owner of the claim against the assigned debtor, who is the principal source of repayment and guarantees any advance paid to the assignor. If the debtor does not pay, the factor can claim the payment from the assignor (right of recourse).

When the factor only provides a management service, it is not exposed to any risk.

In general, when a factor provides a finance and/or guarantee service, the possibility of recording a loss is determined primarily by the downgrading of the credit rating of the parties and the resulting risk of non-payment by the assigned debtor (in the case of without-recourse or with-recourse assignments) or the risk of non-repayment of the amount advanced by the assignor, in the case of the with-recourse operation.

When the factor provides its services as part of a pre-existing commercial relationship between the assignor and the debtor, the credit risk is characterised by the following main factors, linked to the debtor:
- the risk of dilution if the debtor refuses to pay because of events related to how the underlying supply contract was fulfilled (for example, set-offs, allowances, or disputes about product quality or promotional discounts);
- the risk of payment being made later than the real or contractual expiry date (the due date was negotiated when the receivables to customers were acquired) applies in certain sectors hit by the economic crisis, or to some agencies of the Italian public administration. The risk of late payment also includes the risk of administrative time-barring, which happens when funds allocated in the State Budget are not spent by the public administrations within a certain period of time;
- the risk of set-off, which is particularly high in operations with the Public Administration, or in reverse factoring transactions where the debtor can make set-offs between its own payables and receivables.

2. Credit Risk Management Policies

a) General aspects

Credit risk management is based on consolidated processes and structures led by competent, expert staff.

The origination process starts with the Sales Division, which is tasked with developing and managing relations with assignors either by carrying out regular visits, or distance checks. One of their tasks is to identify any signs of potential downgrading of the assignor's credit rating and to prevent potential losses.

The assignors and debtors are assessed using Group methods which involve analysing financial statements, the central risk register, and using the business and other information available to the UniCredit Group. UniCredit Factoring does not have its own rating models, however, for customers it shares with the UniCredit Group, the counterparty's rating is calculated by the parent company and is input into the assignor's and debtor's online files. This is a fundamental part of the assessment process.

When the assignor and debtor risks are accepted, their credit risk is assessed by Credit Operations, which has separate teams for granting finance to assignors and debtors.

The Debtor Management Division manages relations on an ongoing basis, checking the receivables assigned as well as any reports or actions, to ensure that payments are made promptly (checks on due dates and payment reminders).

Part D - Other information (Continued)

The Credit Division also incorporates:
- Credit Monitoring, which maintains the quality of the finance portfolio by carrying out regular monitoring so that systematic intervention can take place if there is any deterioration in the risk profile of an assignor or a debtor. This activity is done before the default arises, when there is still a possibility that the assignor or debtor will be able to meet their commitments, and when the position is transferred to the appropriate risk status to ensure better management;
- Special Credit, which is responsible for ensuring the management and monitoring of positions such as Unlikely to Pay, bad loans and positions covered by restructuring plans. It identifies and implements the most effective solutions to maximise the recovery of the debt, and proposes the necessary provisions to cover forecast losses;
- Risk Management, whose task is to:
  - analyse, assess, measure and monitor the typical risks of the company's activities (credit, operational and market-related) in order to determine their economic and financial impacts;
  - support the implementation of Group policies;
  - provide systematic reports to Top Management and the Board of Directors;
  - establish and monitor the "Risk Appetite", together with the Parent Company and its guidelines, to ensure the company can pursue its strategic objectives and business plan, taking into account the interests of its customers and shareholders; compatibly with its Risk-Taking Capacity, it also sets the Tier 1 capital requirements and other requirements;
  - support Management in measuring and managing the cost of risk.

b) The risk management, measurement and control systems and departments responsible for them

Measurement and reporting involves the issue of periodic, systematic reports and specific estimates to support various types of decision.

The most important of these reports are the following:
- the "Credit Dashboard" which is presented to the Board of Directors and contains an analysis of: i) the Total Receivables and the underlying invested assets, with a particular focus on the types of assignments, notifications, acknowledgements etc., which define the level of risk and the related dynamics; ii) the quality of credit and provisions to cover the risk of loss; iii) concentration risk;
- "Strategies monitoring" and the "Risk Appetite Framework": presented to the Risk Committee. They assess the trend in credit risk accepted by the Company and define any corrective actions to be taken if the risk appetite thresholds are approached or overrun, and/or the guidelines contained in the credit and business strategies, whose targets and prudential limits are approved in advance by the Board of Directors;
- The assignor and debtor monitoring dashboard, which tracks any irregularities.

d) The risk mitigation techniques used for the purposes of IFRS 7, para. 35Kb).

The management of guarantees is an integral part of the credit process. The primary purpose of guarantee contracts is to maximise the Net Discounted Value of the recoverable amounts, by reducing the potential loss (LGD) if the account is transferred to debt recovery. Although the guarantees are an essential element of the terms and conditions of the finance agreement (especially for longer-term operations), they are only collected as a form of support for the finance, and cannot under any circumstances replace the customer's objective capacity to fulfil its obligations. The risk mitigation techniques take into account the aspects specific to factoring, which distribute the risk between the customer/assignor and the assigned debtor in different ways depending on the service.

UniCredit Factoring's exposures mainly relate to business counterparties, and can be guaranteed by "personal" guarantees (usually: bank guarantees from private individuals or businesses), or less frequently "secured" guarantees (usually: pledges on cash sums or receivables) issued by individuals or companies (owners, family members or the parent company).

Personal guarantees are usually given by the owners the owners of the businesses using the finance, or by their family members.

The guarantees acquired by the Company also include:
- guarantees given by the parent company to cover exposures to assignors or debtors for amounts exceeding 25% of the company's regulatory capital, in order to respect the legal limits on "large risks" (see following paragraph). The Company will periodically review the guaranteed positions and ensures that the guarantees are adjusted, to reflect changes in the risk (increase or reduction);
- credit insurance policies to mitigate the credit risk resulting from a default by a private debtor assigned on a without-recourse basis.

Concentration and large exposure risk

Concentration risk is the risk of having a high level of exposure towards individual parties, groups of related parties, parties in the same economic sector or that exercise the same activity or belong to the same geographical area. This risk has to be limited and monitored in relation to the capital, total assets or overall risk level, in order to avoid undermining the solidity of the company or its capacity to continue its core business.

This issue is regulated in Part 4 of Regulation EU 575 /13 (CRR). In this area, the rules on large exposures relate to the total exposures (on-and off-balance sheet) towards an individual customer or group of related customers, which exceeds 10% of the entity's own funds, and with a limit of 25% of the eligible capital, the calculation of which takes into account the exemptions provided for by the regulation.

The regulation covers the measurement, management and monitoring of concentration risks at sector level, and also in terms of individual names or economic groups.

Initially, the parent company at consolidated level, and the UniCredit Group companies individually, carry out a self-assessment of the minimum financial resources the Company/Group requires in order to cover the risks it is taking on. This assessment is based on a series of factors such as: the situation and forecasts for the national and international economy, both at the macroeconomic level and for each sector of activity; the concentration of exposures. The ratio between the available financial resources and the internal capital defines the “risk-taking capacity”, which is a key element of the risk appetite framework and the definition of credit strategies.

In addition to credit strategies, to avoid excessive concentrations with a high level of risk, Group-level limits are set from time to time, either at sector level or on an individual basis.

In the case of individual concentration risk, the quantitative limits on credit exposures are calculated using the economic capital approach. They reflect, to a large extent, the risk level or rating of the counterparty or economic group in question. Compliance with these limits is monitored by the parent company’s departments in collaboration with the companies’ CRO (Chief Risk Office).

To guarantee the timely control of concentration risk at Group level, specific guidelines apply to the management of large credit facilities. A “Large Credit Facility” is any direct or indirect credit commitment to which at least one of the following conditions applies:
- for the direct risks only (finance to assignors on a with-recourse basis and debtors on a without-recourse basis), the total commitments of the applicant (the individual counterparty or economic group) towards all the Group companies exceeds the thresholds set by the parent company and approved by the relevant corporate bodies; for UniCredit Factoring: this threshold is set at 75 million euros for all risks in the Italy Region of the UniCredit Group, or at individual level, at 10% of the regulatory capital;
- the applicant is named on a list of parties which is distributed and regularly updated by the parent company’s CRO.

3. Impaired receivables
The Company has specific regulations that define both the performance statuses and risk statuses for assignors and debtors (performing, watch list, in repayment, debt recovery, past due, unlikely to pay, bad loans, with any indication of forborne exposures), and also the options available for changing the statuses and for making provisions and transitions to loss. These rules also govern the options available for approving repayment plans proposed by the assignors and assigned debtors, and for the acquisition of new guarantees.

Part D - Other information (Continued)

QUANTITATIVE INFORMATION

1. Breakdown of credit exposures by portfolio and credit quality (book value)

(thousands of euros)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	41,282	40,657	102,834	1,470,744	11,819,052	13,474,569
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,700	1,700
3. Financial assets designated at fair value						-
4. Other financial assets obligatorily valued at fair value						-
5. Financial assets classified as held for sale						-
Total as at 12.31.2018	**41,282**	**40,657**	**102,834**	**1,470,744**	**11,820,752**	**13,476,269**
Total as at 12.31.2017	**43,034**	**60,062**	**104,572**	**1,289,140**	**8,900,498**	**10,397,306**

2. Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

(thousands of euros)

	IMPAIRED				PERFORMING		
PORTFOLIOS/QUALITY	GROSS EXPOSURE	ADJUSTMENTS TO TOTAL VALUE	NET EXPOSURE	PARTIAL TOTAL WRITE-OFFS	GROSS EXPOSURE	ADJUSTMENTS TO TOTAL VALUE	NET EXPOSURE
1. Financial assets measured at amortised cost	376,677	191,903	184,774	114,574	13,306,546	16,750	13,289,796
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,700	-	1,700
3. Financial assets designated at fair value	-	-	-	-	-	-	-
4. Other financial assets obligatorily valued at fair value	-	-	-	-	-	-	-
5. Financial assets classified as held for sale	-	-	-	-	-	-	-
Total as at 12.31.2018	**376,677**	**191,903**	**184,774**	**114,574**	**13,308,246**	**16,750**	**13,291,496**
Total as at 12.31.2017	**347,064**	**139,833**	**207,231**	**126,994**	**10,050,242**	**15,155**	**10,035,087**

	LOW CREDIT QUALITY ASSETS			
PORTFOLIOS/QUALITY	ACCUMULATED UNREALISED LOSSES	NET EXPOSURE	OTHER ASSETS	TOTAL
1. Financial assets held for trading	-	-	-	-
2. Hedging derivatives	-	-	399	399
Total as at 12.31.2018	**-**	**-**	**399**	**399**
Total as at 12.31.2017			**1,277**	**1,277**

3. Breakdown of financial assets by category of impairment (book values)

(thousands of euros)

	FIRST STAGE			SECOND STAGE			THIRD STAGE		
PORTFOLIOS/QUALITY	FROM 1 DAY TO 30 DAYS	FROM 30 TO 90 DAYS DAYS	OVER 90 DAYS	FROM 1 DAY TO 30 DAYS	FROM 30 TO 90 DAYS DAYS	OVER 90 DAYS	FROM 1 DAY TO 30 DAYS	FROM 30 TO 90 DAYS DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	608,734	48,978	27,433	109,378	346,345	329,876	-	-	184,773
2. financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total (T)	**608,734**	**48,978**	**27,433**	**109,378**	**346,345**	**329,876**	**-**	**-**	**184,773**
Total (T-1)	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**

4. Financial assets, commitments to lend funds, and financial guarantees given: trend in total value adjustments and total provisions

(thousands of euros)

RISK CAUSES/STAGES	ADJUSTMENTS TO TOTAL VALUE													TOTAL PROVISIONS FOR OBLIGATIONS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN:			TOTAL
	ACTIVITIES COVERED BY THE FIRST STAGE				ACTIVITIES COVERED BY THE SECOND STAGE				ACTIVITIES COVERED BY THE THIRD STAGE								
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVID UAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHE NSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	OF WHICH: IMPAIRED FINANCIAL ASSETS ACQUIRED OR ARISING	FIRST STAGE	SECOND STAGE	THIRD STAGE	
Outstanding at beginning of period	8,690			8,690	7,865			7,865	139,833		139,833			375	68	-	156,831
Increases in financial assets acquired or originated																	-
Cancellations other than write- offs																	-
Net adjustments/writebacks for credit risk (+/-)	(1,069)			(1,069)	1,264			1,264	89,621		89,621			1,755	115	-	91,686
Contract cancellation without changes																	-
Changes in the valuation method																	-
Write-off									(33,154)		(33,154)						(33,154)
Other changes	(264)				264			264	(4,397)		(4,397)						(4,397)
Closing balance	7,357	-	-	7,621	9,393	-	-	9,393	191,903	-	191,903	-	-	2,130	183	-	210,966
Recoveries from collections on financial assets subject to write off																	-
Write-off recognised directly as profit or loss																	-

5. Financial assets, commitments to lend funds and financial guarantees given: transfers between the various credit risk stages (gross and nominal amounts)

(thousands of euros)

PORTFOLIOS/RISK STAGES	GROSS VALUES / NOMINAL VALUE					
	TRANSFERS BETWEEN FIRST AND SECOND STAGE		TRANSFERS BETWEEN SECOND AND THIRD STAGE		TRANSFERS BETWEEN FIRST AND THIRD STAGE	
	FROM FIRST STAGE TO SECOND STAGE	FROM SECOND STAGE TO FIRST STAGE	FROM SECOND STAGE TO THIRD STAGE	FROM THIRD STAGE TO SECOND STAGE	FROM FIRST STAGE TO THIRD STAGE	FROM THIRD STAGE TO FIRST STAGE
1. Financial assets measured at amortised cost	1,747,855	235,027	21,788	27,943	163,677	16,629
2. Financial assets measured at fair value through other comprehensive income						
3. Obligations to guarantees given						
Total 12.31.2018	**1,747,855**	**235,027**	**21,788**	**27,943**	**163,677**	**16,629**

Part D - Other information (CONTINUED)

6. Credit exposures to customers, banks and finance companies

6.1 On-and off-balance sheet exposures to customers, banks and finance companies: gross and net values

(thousands of euros)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE NON-PERFORMING ASSETS	GROSS EXPOSURE PERFORMING ASSETS	TOTAL WRITE- DOWNS	NET EXPOSURE	TOTAL AND PARTIAL WRITE-OFFS
A. ON-BALANCE-SHEET EXPOSURES					
a) Bad loans exposures	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-
b) Unlikely to pay	123	-	104	18	-
- of which: forborne exposures	-	-	-	-	-
c) Non-Performing past due	119	-	6	113	-
- of which: forborne exposures	-	-	-	-	-
d) Performing past-due	-	57,066	155	56,911	-
- of which: forborne exposures	-	-	-	-	-
e) Other performing exposures	-	919,406	1,869	917,538	-
- of which: forborne exposures	-	-	-	-	-
Total A	**241**	**976,472**	**2,134**	**974,580**	**-**
B. OFF-BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**
a) Non-Performing	-	-	-	-	-
b) Performing	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**241**	**976,472**	**2,134**	**974,580**	**-**

Breakdown of on-balance sheet and off-balance sheet credit exposures by counterparty's sector of activity

The off-balance sheet exposures include commitments to lend funds according to formal without-recourse lines, and the margins on the irrevocable lines of credit.

6.2 On-balance sheet exposures to banks and finance companies: trend in gross impaired exposures

(thousands of euros)

SOURCE - CATEGORIES	BAD LOANS	UNLIKELY TO PAY	PAST-DUE EXPOSURES
A. Opening balance - gross exposure		**123**	**-**
- of which: exposures sold and not derecognised:			
B. Increases	**-**	**-**	**119**
B.1 transfers from Performing loans	-	-	119
B.2 Income from impaired financial assets acquired or originated			
B.3 transfers from other Non-Performing exposure	-		
B.4 contract changes without cancellation			
B.5 other increases	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 transfers to Performing loans		-	-
C.2 write-off	-	-	
C.3 receipts	-	-	-
C.4 gains on disposal		-	
C.5 losses on disposals			
C.6 transfers to other Non-Performing exposures		-	
C.7 contract changes without cancellation			
C.8 other reductions	-	-	-
D. Gross exposure closing balance	**-**	**123**	**119**
- of which: exposures sold and not derecognised:			

6.2bis On-balance sheet exposures to banks and finance companies: trend in gross forborne exposures, by credit quality

There are no exposures of this type.

6.3 Impaired on-balance sheet exposures to banks and finance companies: changes in overall impairments

(thousands of euros)

SOURCE - CATEGORIES	BAD LOANS		UNLIKELY TO PAY		PAST-DUE EXPOSURES	
	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total opening write-downs			**105**			
- of which: exposures sold and not derecognised:						
B. Increases	**-**	**-**	**-**	**-**	**6**	**-**
B.1 Write-downs from impaired financial assets acquired or originated		X		X		X
B.2 Other write-downs:					6	
B.3 losses on disposal						
B.4 transfers from other Non-Performing exposure						
B.5 contract changes without cancellation		X		X		X
B.6 other increases						
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 write-backs from valuation						
C.2 write-backs from recoveries						
C.3 Gains on disposal						
C.4 write-off						
C.5 transfers to other categories of impaired exposures						
C.6 contract changes without cancellation		X		X		X
C.7 other decreases						
D. Final overall adjustments	**-**	**-**	**105**	**-**	**6**	**-**
- of which: exposures sold and not derecognised:						

6.4 On-and off-balance sheet exposures to customers: gross and net values

(thousands of euros)

EXPOSURE TYPES/AMOUNTS	GROSS EXPOSURE		TOTAL WRITE- DOWNS	NET EXPOSURE	TOTAL PARTIAL WRITE-OFFS
	NON-PERFORMING ASSETS	PERFORMING ASSETS			
A. ON-BALANCE-SHEET EXPOSURES					
a) Bad loans exposures	151,356	-	110,074	41,282	114,574,473
- of which: forborne exposures	852	-	822	31	-
b) Unlikely to pay	116,951	-	76,312	40,639	-
- of which: forborne exposures	70,092	-	51,298	18,794	-
c) Past due	108,128	-	5,406	102,722	-
- of which: forborne exposures	-	-	-	-	-
d) Performing past-due	-	1,417,474	3,641	1,413,833	-
- of which: forborne exposures	-	-	-	-	-
e) Other performing exposures	-	10,912,600	11,086	10,901,514	-
- of which: forborne exposures	-	528	4	524	-
Total A	**376,435**	**12,330,073**	**206,519**	**12,499,990**	**114,574,473**
B. OFF-BALANCE SHEET EXPOSURES	**-**	**-**	**-**	**-**	**-**
a) Non-Performing	18,141	-	-	18,141	-
b) Performing	-	2,129,522	2,314	2,127,208	-
Total B	**18,141**	**2,129,522**	**2,314**	**2,145,350**	**-**
Total (A+B)	**394,576**	**14,459,595**	**208,833**	**14,645,339**	**114,574,473**

Part D - Other information (CONTINUED)

6.5 Credit exposures to customers: gross change in impaired exposures

(thousands of euros)

SOURCE - CATEGORIES	BAD LOANS	UNLIKELY TO PAY	PAST-DUE EXPOSURES
A. Opening balance - gross exposure	**134,572**	**102,361**	**110,009**
- of which: exposures sold and not derecognised			
B. Increases	**66,860**	**88,315**	**85,183**
B.1 transfers from Performing loans	9,535	86,513	79,031
B.2 income from impaired financial assets acquired or originated			
B.3 transfers from other Non-Performing exposure	54,764		
B.4 contract changes without cancellation			
B.5 other increases	2,561	1,802	6,152
C. Decreases	**(50,076)**	**(73,725)**	**(87,064)**
C.1 transfers to Performing loans		(766)	(38,797)
C.2 write-off	(25,975)	(7,180)	
C.3 receipts	(5,774)	(2,384)	(36,650)
C.4 gains on disposal			
C.5 losses on disposals			
C.6 transfers to other Non-Performing exposures		(54,764)	
C.7 contract changes without cancellation			
C.8 other reductions	(18,327)	(8,631)	(11,617)
D. Gross exposure closing balance	**151,356**	**116,951**	**108,128**
- of which: exposures sold and not derecognised			

6.5 bis On-balance-sheet exposures to customers: gross changes by credit quality in forborne exposures

(thousands of euros)

SOURCE - CATEGORIES	FORBORNE EXPOSURES: IMPAIRED	FORBORNE EXPOSURES: PERFORMING
A. Opening balance - gross exposure	**15,363**	**10,191**
- of which: exposures sold and not derecognised		
B. Increases	**67,746**	**1,362**
B.1 transfers from Performing not forborne	66,894	1,234
B.2 transfers from Performing forborne		X
B.3 transfers from non-performing forborne	X	
B.4 other increases	852	128
C. Decreases	**(11,466)**	**(2,430)**
C.1 transfers to Performing not forborne	X	
C.2 transfers to Performing forborne		X
C.3 transfers to non-performing forborne	X	
C.4 write-off		
C.5 recoveries		
C.6 sales proceeds		
C.7 losses on disposal		
C.8 other reductions	(11,466)	(2,430)
D. Gross exposure closing balance	**71,643**	**9,123**
- of which: exposures sold and not derecognised		

6.6 Impaired on-balance-sheet exposures to customers: changes in overall impairments

(thousands of euros)

SOURCE - CATEGORIES	BAD LOANS		UNLIKELY TO PAY		PAST-DUE EXPOSURES	
	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total opening write-downs	**91,619**		**42,487**	**239**	**5,621**	
- of which: exposures sold and not derecognised:						
B. Increases	**49,408**	**822**	**87,511**	**51,901,00**	**4,243**	**-**
B.1 Write-downs from impaired financial assets acquired or originated		x		x		x
B.2 other write-downs:	9,150		87,511	51,901	4,243	
B.3 losses on disposal						
B.4 transfers from other Non-Performing exposure	40,258	821				
B.5 contract changes without cancellation		x		x		x
B.6 other increases		1				
C. Decreases	**(30,954)**	**0**	**(53,687)**	**(842)**	**(4,459)**	**0**
C.1 write-backs from valuation	(3,712)		(3,119)		(4,459)	
C.2 write-backs from recoveries						
C.3 gains on disposal						
C.4 write-off	(25,975)		(7,180)			
C.5 transfers to other categories of impaired exposures			(40,258)	(821)		
C.6 contract changes without cancellation		x		x		x
C.7 other decreases	(1,267)		(3,130)	(21)		
D. Final overall adjustments	**110,073**	**822**	**76,311**	**51,298**	**5,405**	**0**
- of which: exposures sold and not derecognised:						

7. Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

7.1 Distribution of financial assets, commitments to disburse funds and financial guarantees issued by category of external rating (gross values)

(thousands of euros)

EXPOSURES	RATING CLASS						WITHOUT RATING	TOTAL
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6		
A. Financial assets measured at amortised cost	**2,341**	**100,261**	**846,651**	**316,288**	**157,425**	**32,326**		
- First stage	1,245	100,261	705,054	227,750	156,107	300	9,219,655	10,410,372
- Second stage	1,096		141,597	88,538	1,318		2,454,972	2,687,521
- Third stage						32,026	344,650	376,676
B. Financial assets measured at fair value with impact on profit and loss							**-**	**-**
- First stage								-
- Second stage								
- Third stage								
Total (A + B)	**2,341**	**100,261**	**846,651**	**316,288**	**157,425**	**32,326**	**12,019,277**	**13,474,569**
of which: impaired financial assets acquired or arising								
C. Obligations to disburse funds and financial guarantees given	**-**	**9,375**	**210,978**	**213,389**	**5,603**	**503**	**2,421,040**	**2,860,888**
- First stage	-	9,375	140,899	141,012	5,603	503	2,213,999	2,511,391
- Second stage			70,079	72,377	-		181,776	324,232
- Third stage					-		25,265	25,265
Total (C)	**-**	**9,375**	**210,978**	**213,389**	**5,603**	**503**	**2,421,040**	**2,860,888**
Total (A + B + C)	**2,341**	**109,636**	**1,057,629**	**529,677**	**163,028**	**32,829**	**14,440,317**	**16,335,457**

The following rating agencies are used: Standard & Poor's, Moody's and Fitch.

Part D - Other information (Continued)

If there are ratings from two ECAI for the same position, the one corresponding to the higher weighting factor is used; where there are 3 or more ratings, the two ratings with the lower weighting factors are used, and if they are different, the worse of the two is utilised.

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

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

2.3.2 Breakdown of on-balance sheet and off-balance sheet exposures by internal rating class
This table has not been completed as the Company uses a standard method for calculating credit risk.

9. Concentration of credit

9.1 Breakdown of on-balance sheet and off-balance sheet credit exposures by counterparty's sector of activity

(thousands of euros)

	TOTAL
GOVERNMENTS	1,920,877
OTHER PUBLIC ENTITIES	468,671
NON-FINANCIAL COMPANIES	9,853,181
FINANCIAL COMPANIES	2,559,156
OTHERS	1,533,572
TOTAL	**16,335,457**

9.2 Breakdown of on-balance sheet and off-balance sheet credit exposures by counterparty's geographical area

(thousands of euros)

	TOTAL
NORTH WEST	6,647,507
NORTH EAST	2,173,989
CENTRAL	4,967,877
SOUTH	628,976
ISLANDS	277,858
OUTSIDE ITALY	1,639,250
TOTAL	**16,335,457**

9.3 Large risks

(thousands of euros)

a) Nominal amount	10,834,755
b) Post CRM amount and exemptions ex Art. 400 CRR :	4,226,879
c) Number	33

10. Credit Risk Measurement and Management models and methods

Write-downs are made specifically, based on the loss forecasts made from time to time; Forother positions in default, for which analytical write-downs cannot be made, a statistical approach is used (specific write-downs on a flat rate basis) and finally, for non-defaulted positions, the write-downs are calculated on the basis of loss valuation models used by the parent company in compliance with IFRS 9. Theseare adapted to the specific nature of factoring, pending the introduction of an internal model.

3.2 Market risks

3.2.1 Interest rate risk

QUALITATIVE INFORMATION

1. General Aspects

In line with the Group guidelines, in 2012 the company adopted a specific policy to cover interest rate risk for the banking book. It defines the principles, responsibilities and methodologies used to manage this risk.

The twomain measurements used tomonitor interest rate risk and to set limits, are the following:

- "Net Interest Income Sensitivity", which measures the change in the interest rate over the next 12 months in the absence of new operations, with a variation of 100 basis points in the interest rates;
- "Basis Point Value Sensitivity", which measures the change in the current value of interest rate positions resulting from an instant shock of 1bp of interest rates. It considers the current value of all future cash flows generated from assets, liabilities and existing derivatives.

For the purposes of managing liquidity and interest rate risk, the various technical forms of investment relate to the following two main types of operation:

- discounted or Outright purchase of receivables: these are fixed-rate operations with a defined duration, even if uncertain, as the expiry date includes an estimated delay for the collection of the invoices, after their natural due date;
- standard operations (with-recourse and without-recourse): these are revolving exposures, usually revocable under certain conditions, and they are usually regulated at variable rates determined monthly, based on the average values for the month, and are settled monthly or quarterly.

In principle:

- the first case is financed with fixed-term deposits;
- the second case is financed through a credit line that is periodically adapted to the amount and is regulated at a rate that reflects the contractual rate charged to the customer.

This minimises the interest rate risk, which in itself is limited, considering that these operations are almost all short-term, andalso the liquidity risk.

Various interest rate swap contracts have also been agreed with the Group Investment Bank to convert the interest rate on outright purchase with an original duration beyond the short-term, from fixed to variable.

Part D - Other information (CONTINUED)

QUANTITATIVE INFORMATION

1. Breakdown by maturity (repricing date) of financial assets and liabilities

Euro

(thousands of euros)

ITEMS/REMAINING LIFE	SIGHT	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	10 YEARS OR MORE	INDETERMINATE DURATION
1. Assets	**994,206**	**10,396,503**	**386,454**	**432,554**	**265,797**	**146,349**	**1,063**	**-**
1.1 Debt securities		-	-	-	-	-	-	-
1.2 Loans	994,206	10,396,503	386,454	432,554	265,797	146,349	1,063	
1.3 Other assets		-	-	-	-	-	-	
2. Liabilities	**264,981**	**11,054,419**	**151,063**	**169,000**	**204,000**	**-**	**-**	**-**
2.1 Payables	264,981	11,054,419	151,063	169,000	204,000	-	-	-
2.2 Debt securities in issue		-	-	-	-	-	-	-
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

(thousands of euros)

ITEMS/REMAINING LIFE	SIGHT	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	FROM 5 YEARS TO 10 YEARS	10 YEARS OR MORE	INDETERMINATE DURATION
1. Assets	**79,499**	**396,814**	**7,946**	**10**	**52,768**	**8,366**	**-**	**-**
1.1 Debt securities		-	-	-	-	-	-	-
1.2 Loans	79,499	396,814	7,946	10	52,768	8,366		-
1.3 Other assets		-	-	-	-	-	-	
2. Liabilities	**61,251**	**376,323**	**51,821**	**-**	**50,917**	**-**	**-**	**-**
2.1 Payables	61,251	376,323	51,821	-	50,917		-	-
2.2 Debt securities in issue				-	-	-	-	-
2.3 Other liabilities		-	-	-	-	-	-	
3. Financial derivatives								
options								
3.1 Long positions		-	-	-	-	-	-	-
3.2 Short positions		-	-	-	-	-	-	-
other derivatives								
3.3 Long positions		-					-	-
3.4 Short positions		-	-	-	-		-	-

Bad loans are classified according to the expected date of collection and are mainly included in the “More than 5 years up to 10 years” category.

2. Interest rate risk measurement andmanagement models andmethods

Sensitivity analysis

At 31 December 2018, the sensitivity of interest income to an immediate and parallel shift of +100bps was approximately
- 5 million.

The sensitivity of the economic value of shareholders’ equity to an immediate and parallel shift of +200bps in interest rates was approximately -23 million at 31 December 2018, and more than one-third of this is due to the change in the current value of bad loans and unlikely to pay positions.

3.2.2 Price risk

QUALITATIVE INFORMATION

1. General Aspects

The Company does not hold nor has it issued financial instruments exposed to price risk.

3.2.3 Exchange rate risk

QUALITATIVE INFORMATION

1. General Aspects

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

The Company's policy on exchange risk provides that receivables assigned in foreign currencies must be advanced and financed in the same currency. Where advances are paid in euros, any differences or conversion costs are governed by specific contracts with the customer, which require that any exchange risk is to be borne by the customer.
The asset coverage required for exchange risk is determined by applying a coefficient of 8% to the net open position in exchange foreign currencies, reduced by 25% for companies in a banking group. On 31 December 2018 the company's open exchange positions did not lead to any absorption of capital.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives (thousands of euros)

ITEMS	CURRENCIES						
	USD	STERLING	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	KUWAITI DINARS	PLN	OTHER CURRENCIES
1. Financial assets	**390,906**	**20,013**	**42,312**	**30**	**23,776**	**53,325**	**1,856**
1.1 Debt securities	-	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-	-
1.3 Loans	390,906	20,013	42,312	30	23,776	48,899	1,624
1.4 Other financial assets	-	-	-	-	-	4,426	232
2. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities	**384,441**	**19,715**	**42,991**	**-**	**23,400**	**53,091**	**1,796**
3.1 Payables	1,544	1,006	-	-	-	-	24
3.2 Debt securities in issue			-	-	-	-	-
3.3 Other financial liabilities	382,897	18,709	42,991	-	23,400	53,091	1,772
4. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-	-
Total assets	**390,906**	**20,013**	**42,312**	**30**	**23,776**	**53,325**	**1,856**
Total liabilities	**384,441**	**19,715**	**42,991**	**0**	**23,400**	**53,091**	**1,796**
Difference (+/-)	**6,465**	**298**	**(679)**	**30**	**376**	**234**	**60**

3.3 Operational risks

QUALITATIVE INFORMATION

1. General aspects, management processes and procedures for measuring the operational risk

In accordance with external and internal regulations, operational risk consists of the possibility of incurring losses due to errors, infringements, interruptions or damages resulting from internal processes, people, systems, or external events.

Operational events may the caused by inadequate or violated internal procedures, personnel, information or telecoms systems, systemic events or other external events: internal or external fraud, inadequate working practices or inadequate workplace security, customer complaints, product distribution, fines or penalties due to failure to comply with regulatory provisions, damage to company property, interruption to information or communication systems, execution of processes.

Part D - Other information (Continued)

In order to measure and manage operational risk, the Company:
- carries out process mapping (including the maps required by Law 262/2005);
- implements IT procedures with automated controls and red flag management systems;
- trains staff on how to identify operational risks;
- uses the Group tools and methods for Disaster Recovery, Business Continuity and Insurance Policies;
- records all operational loss events on the Group software program;
- calculates the capital requirement needed to cover operational risk using the “Base” method, or by applying a regulatory coefficient of 15% of the average Operating Income over the past three years.

QUANTITATIVE INFORMATION

The capital absorption quantified using the Base method, corresponding to 15% of the average Operating Income over the past three years was 27.8 million at the end of 2018, compared to 28.5 million at the end of the previous year.

3.4 Liquidity risk

QUALITATIVE INFORMATION

1. General aspects, management processes and measurement methods for the liquidity risk
The company’s liquidity policy, which has been in place since January 2010, was amended in 2017 with regard to the Governance aspects, and the responsibilities of individual departments.

UniCredit Factoring is only funded through the parent company, which also carries out liquidity risk monitoring. The Company falls within the Italy Regional Liquidity Center, which manages liquidity risk at central level, and accesses the capital markets on behalf of the banks and private companies within its perimeter.

Funding is carried out through the following methods, as part of an endowment and is periodically reviewed depending on the approved budgets and development plans, also taking into account the type of finance to be provided:
- Ancillary account: this is the main source of funding and finances the most stable part of the revolving commitments. It normally changes on a monthly basis, depending on the trend in these assets;
- Term deposits (one month or beyond): this is the natural form of funding for Outright purchase of receivables;
- Very short-term deposits (overnight or up to 2 weeks): these are the tools used to meet the daily liquidity requirements and to finance short-term fluctuations in invested assets;
- Subordinate liabilities: these supplement the capital and represent a source of financing for operations of more than one year;
- Current account: the current account with the bank is the channel through which all the company’s operations are channelled (finance, receipts, deposits opened or closed, changes in the ancillary account etc.). The unused credit margin is a readily available liquidity reserve which can also be used to cover unexpected liquidity requirements.

The Company’s liquidity position does not have its own significant value, but should be seen within the consolidation area of the Group’s Italy Region.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Euro

(thousands of euros)

ITEMS/REMAINING LIFE	SIGHT	FROM 1 DAY TO 7 DAYS	FROM 7 DAYS TO 15 DAYS	FROM 15 DAYS TO 1 MONTH	ROM OVER 1 MONTH TO 3 MONTHS	FROM OVER 3 MONTHS TO 6 MONTHS	FROM OVER 6 MONTHS TO 1 YEAR	FROM OVER 1 YEAR TO 3 YEARS	OVER 3 YEARS TO 5 YEARS	5 YEARS OR MORE	UNDETERMINED DURATION
On-balance sheet assets	**2,339,029**	**631,987**	**2,650,084**	**2,050,140**	**2,467,146**	**1,051,592**	**832,613**	**252,884**	**252,884**	**175,411**	**-**
A.1 Government securities	-	-	-	-	-	-	-				
A.2 Other debt securities						-	-				
A.3 Loans	2,339,029	631,987	2,650,084	2,050,140	2,467,146	1,051,592	832,613	252,884	252,884	175,411	
A.4 Other assets											
On-balance-sheet liabilities	**1,799,786**	**1,222,673**	**3,388,292**	**2,923,408**	**1,921,559**	**206,044**	**176,761**	**50,460**	**50,461**	**104,019**	**-**
B.1 Payables to					-	-	-				
- banks	1,682,803	1,220,000	3,322,000	2,900,000	1,893,000	150,000	169,000	50,000	50,000	104,000	
- financial institutions	90,217										
- deposits from customers	26,766	2,673	66,292	23,408	28,559	56,044	7,761	460	461	19	
B.2 Debt securities	-				-		-	-			
B.3 Other liabilities											
Off-balance sheet transactions			**-**	**-**	**-**	**-**	**-**				
C.2 Cash settled financial derivatives											
- Positive differentials	-	-	-	-	(9,902)						-
- Negative differentials	-		-		-	-	1,164	1,117	1,117	6,504	
C.4 Irrevocable commitments to disburse funds											
- Long positions					(2,147,663)						
- Short positions					2,147,663						
C.5 Financial guarantees issued	750				4,146,253	72,050	700	1,607,396	1,607,395	1,344,345	
C.6 Financial guarantees received											

Part D - Other information (Continued)

Other currencies

(thousands of euros)

ITEMS/REMAINING LIFE	SIGHT	FROM 1 DAY TO 7 DAYS	FROM 7 DAYS TO 15 DAYS	FROM 15 DAYS TO 1 MONTH	FROM OVER 1 MONTH TO 3 MONTHS	FROM OVER 3 MONTHS TO 6 MONTHS	FROM OVER 6 MONTHS TO 1 YEAR	FROM OVER 1 YEAR TO 3 YEARS	OVER 3 YEARS TO 5 YEARS	5 YEARS OR MORE	UNDETEMINED DURATION
On-balance sheet assets	**112,763**	**27,534**	**38,637**	**155,455**	**112,204**	**31,258**	**2,626**	**26,413**	**26,413**	**8,367**	**-**
A.1 Government securities	-	-	-	-	-	-	-				
A.2 Other debt securities						-	-				
A.3 Loans	112,763	27,534	38,637	155,455	112,204	31,258	2,626	26,413	26,413	8,367	
A.4 Other assets											
On-balance-sheet liabilities	**137,622**	**-**	**50,030**	**84,450**	**164,865**	**52,428**	**-**	**25,458**	**25,459**	**-**	**-**
B.1 Payables to					-	-	-				
- banks	133,912	-	50,030	84,116	164,371	51,821	-	25,458	25,459		
- financial institutions											
- deposits from custo	3,710	-	-	334	494	607	-				
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											
C.5 Financial guarantees issued											

Foreign currency accounts, which are held with the parent company, are distributed among time bands depending on the criteria used for the distribution of loans, favouring the substance - the purpose of the funding - over the form.

Section 4 - Information on Equity

4.1 The Company's shareholders' equity

4.1.1 QUALITATIVE INFORMATION

The company's shareholders' equity is the total funds allocated to the furtherance of the company object and to the control of the risks of the business. Adequate equity is thus a prerequisite for the growth of the Company, and ensures that it will remain solid and stable over time.

UniCredit Factoring, in line with Grouppolicies, paysgreatattention to the managementofcapital, with aview to maximising the returns to shareholders and to supporting the growth of.

The measurement of monitored capital is defined by Regulation EU 575/2013 of 26 June 2013 (CRR) and by the Bank of Italy in Circular 288 of 3 April 2015 as updated, on the "Regulatory Provisions for Financial Intermediaries". This provides that intermediaries notgathering savings from the public mustmaintain acapital requirement to covercredit andcounterparty risk that is equal to 6% of the risk-weighted exposure.

From an organisational viewpoint, the monitoring of equity coefficients is done each month by the Planning, Finance & Administration Division, according to the final figures and on a forward-looking basis.

The management of capital is done in coordination with the counterparties of the parent company, leveraging on the one hand the dividends policy and the issue of subordinate loans and on the other, the issue of guarantees and commercial indications.

4.1.2 QUANTITATIVE INFORMATION

4.1.2.1 The Company's equity: composition

(thousands of euros)

VALUES/ITEMS	12.31.2018	12.31.2017
1. Capital	414,348	414,348
2. Share premium reserve	951	951
3. Reserves	286,353	271,156
- from profits	286,353	271,156
a) legal	35,111	32,060
b) statutory	185	185
c) treasury quotas	-	-
d. others *	251,057	238,911
- other	-	-
4. (Treasury quotas)	-	-
5. Revaluation reserves	(1,445)	(368)
- Capital securities designated at fair value with impact on comprehensive income	(1,046)	-
- Hedging of capital securities designated at fair value with impact on comprehensive income	-	-
- Financial assets (other than securities) valued at fair value with impact on comprehensive incom	-	-
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash-flow hedges	-	-
- Hedging instruments (non-designated elements)		
- Exchange-rate differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial assets measured at fair value through profit or loss (changes in credit rating)	-	-
- Special revaluation laws	-	-
- Actuarial gains (losses) on defined benefit plans	(399)	(368)
- Portion of revaluation reserves for equity investments valued using the equity method	-	-
6. Equity instruments	-	-
7. Net Profit (Loss) for the year	29,399	61,003
Total	**729,606**	**747,090**

* "Other Reserves" are mainly undistributed profits.

Part D - Other information (Continued)

4.1.2.2 Reserves from valuation of financial assets designated at fair value through other comprehensive income: composition

(thousands of euros)

ASSETS/VALUES	12.31.2018 POSITIVE RESERVE	12.31.2018 NEGATIVE RESERVE	12.31.2017 POSITIVE RESERVE	12.31.2017 NEGATIVE RESERVE
1. Debt securities issued				
2. Equity securities				
3. Loans		(1,046)		(1,001)
Total	**0**	**(1,046)**	**0**	**(1,001)**

4.1.2.3 Reserves from valuation of financial assets designated at fair value through other comprehensive income: change for the year

(thousands of euros)

	DEBT SECURITIES ISSUED	EQUITY SECURITIES	LOANS
Outstanding at beginning of period			**(1,001)**
2. Increases	**-**	**-**	**-**
2.1 Increases in fair value		x	
2.2 Write-downs for credit risk		x	
2.3 Reclassification through profit or loss of negative reserves			
2.4 Transfers to other components of equity (equity securities)			
2.5 Other changes			
3. Decreases	**-**	**-**	**45**
3.1 Decreases in fair value			
3.2 Write-backs for credit risk			
3.3 Reclassification through profit or loss of positive reserves on disposal		x	
3.4 Transfers to other components of equity (equity securities)			
3.5 Other changes			45
4. Closing balance	**-**	**0**	**(1,046)**

4.2 Own funds and risk capital ratios

For quantitative information refer to consolidated Pillar III

4.2.1 Own Funds

4.2.1.1 QUALITATIVE INFORMATION

Own funds are the first line of defence against risks connected to the activities of financial intermediaries and are the main benchmark for prudential institutions and assessments by the regulators. The regulations establish the methods to be used in calculating own funds, the criteria and limits on its components.

The own funds as at 31 December 2018 were determined in accordance with Regulation EU 575/2013 of 26 June 2013 (CRR) and by the Bank of Italy in Circular 288 of 3 April 2015 as updated, on the “Regulatory Provisions for Financial Intermediaries”.

Common Equity Tier 1 capital (CET 1) is the own funds of the Company and no deductions or prudential filters are applied. CET 1 includes all the profit for the year net of dividends to be distributed, in line with the distribution of profits as proposed by the Board of Directors to the shareholders’ meeting.

Tier 2 capital is the hybrid capitalisation instruments calculated net of the amortisation shares in accordance with Regulation EU No. 575/2013 of 26 June 2013 (CRR).

4.2.2 Capital adequacy

4.2.2.1 QUALITATIVE INFORMATION

The level of capital adequacy is regularly monitored:

- based on the actual figures at the end of each month, by fully applying the rules on the preparation of interim reports to the supervisory body;
- on a forward-looking basis, generally every quarter, based on the trend and expected composition of the receivables and equity.

If intervention is considered necessary, the possible options are assessed with the Parent Company. These include an increase in capital, a special policy on the distribution of profits, the issue of equity instruments included in the supplementary capital, and the assignment of receivables.

Section 5 - Breakdown of comprehensive income

(thousands of euros)

VOCI		12.31.2018	12.31.2017
10.	**Profit (loss) for the year**	**29,399**	**61,003**
	Other comprehensive income not reclassified to profit or loss		
20.	**Capital securities designated at fair value with impact on comprehensive income**		
	a) changes in fair value	(59)	
	b) transfers to other components of shareholders' equity		
30.	**Financial assets measured at fair value through profit or loss (changes in credit rating)**		
	a) changes in fair value		
	b) transfers to other components of shareholders' equity		
40.	**Hedging of capital securities designated at fair value with impact on the other income components:**		
	a) changes in fair value (hedged instrument)		
	a) changes in fair value (hedging instrument)		
50.	**Property, plant and equipment**		
60.	**Intangible assets**		
70.	**Defined benefit plans**	**(31)**	**97**
80.	**Non-current assets and disposal groups held for sale**		
90.	**Share of valuation reserves of equity investments accounted for using equity method**		
100.	**Tax (expenses) income relating to other comprehensive income without reversal to the income statement**	**14**	
	Other comprehensive income that may be reclassified to profit or loss		
110.	**Hedging of foreign investments:**		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
120.	**Exchange differences:**		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
130.	**Cash flow hedges:**		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
	of which: profit/loss from net positions		
140.	**Hedging instruments (non-designated elements)**		
	a) changes in value		
	b) reclassification through profit or loss		
	c) other changes		
150.	**Financial assets (other than securities) valued at fair value with impact on comprehensive income:**		
	a) fair value changes		
	b) reclassification through profit or loss		
	- impairment write-downs		
	- realised gains/losses		
	c) other changes		
160.	**Non-current assets and asset groups held for sale:**		
	a) fair value changes		
	b) reclassification through profit or loss		
	c) other changes		
170.	**Portion of revaluation reserves from investments valued at equity:**		
	a) fair value changes		
	b) reclassification through profit or loss		
	- impairment write-downs		
	- realised gains/losses		
	c) other changes		
180.	**Tax (expenses) income relating to other comprehensive income without reversal to the income statement**		
190.	**Total other income components**	**(76)**	**97**
200.	**Total comprehensive income (Item 10+190)**	**29,323**	**61,100**

Part D - Other information (Continued)

Section 6 - Related-parties transactions

The types of related parties as defined in IAS 24 which are significant for UniCredit Factoring, include:
- parent company;
- companies controlled by the parent company;
- UniCredit Factoring's key management personnel and that of its parent company;
- 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 Group employees.

Key managementpersonnelarepersonshavingdirectorindirectauthority andresponsibility for planning, directing, andcontrolling UniCredit Factoring's activities. This category includes not only the CEO and the othermembersofthe Board of Directors butalso themembersofthe Executive Management Committee.

6.1 Information on remuneration of officers with strategic responsibilities

Below is the information about the remunerationpaid to keymanagementpersonnelof UniCredit Factoring, asrequiredby IAS 24, in line with the Bank of Italy instructions which require the inclusion of fees paid tomembers of the Board of Statutory Auditors.

(thousands of euros)

REMUNERATION OF OFFICERS WITH STRATEGIC RESPONSIBILITIES	2018	2017
a) short-term employee benefits	928	1,383
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) share-based payments	-	-
Total	**928**	**1,383**

6.2 Loans and Guarantees to Directors and Statutory Auditors

The Company has not given loans or guarantees to Directors and Statutory Auditors.

6.3 Information on Related Parties Transactions

To ensure constant compliance with the current provisions of laws and regulations on financial reporting with regard to related parties transactions, UniCredit Factoring identifies all operations in this area.

In accordance with the instructions given by the Parent Company, the criteria for identifying transactions with related parties have been defined, in line with the Consob guidelines.

Individual transactions were carried out on the same terms as those applied to transactions entered into with independent third parties.

All intra-group transactions were 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 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 at Via Livio Cambi 5 in Milan, the company's head office, were leased from Unicredit Business Integrated Solutions S.c.p.A., Real Estate service line, which also carries out ordinary and extraordinary maintenance for the property;
- the branches of UniCredit S.p.A. carry out business development on the company's behalf, based on the agreement signed in 2011 and subsequently extended in 2013, made between UniCredit Factoring S.p.A. and the CIB and CCI Divisions;
- the parent company manages personnel administration, mailing, activities related to special laws with an internal contact, the soft collection of outstanding, overdue receivables, and back-office activities with the Business Transformation service line. Unicredit Business Integrated Solutions S.c.p.a. provides technological outsourcing and operational services relating to acquisitions. The sharing of these activities has allowed the company to benefit from specific levels of professional expertise;

The following table shows the outstanding assets, liabilities, guarantees and commitments as at 31 December 2018, as well as the key financial data for the year, for each group of related parties. The main item is represented by the loans and current accounts in euros and other foreign currencies, for funding operations.

Related-parties transaction

(thousands of euros)

	AMOUNTS AS AT 12.31.2018			
	PARENT COMPANY	SUBSIDIARIES OF THE PARENT COMPANY	OFFICERS WITH STRATEGIC RESPONSIBILITIES	OTHER RELATED PARTIES
BALANCE SHEET AMOUNTS				
Financial assets measured at amortised cost to Credit institutions	12,269	9,520	-	-
Financial assets measured at amortised cost to Financial companies	-	-		-
Financial assets measured at amortised cost to Customers	-	-	-	-
Other assets	2,325	2,098	-	-
Total assets	**14,594**	**11,618**	**-**	**-**
Payables to Credit institutions	12,046,778	3	-	-
Securities and financial liabilities	-	-	-	-
Other liabilities	3,359	13,021	-	-
Total liabilities	**12,050,137**	**13,024**	**-**	**-**
Guarantees given and commitments				
FINANCIAL DATA				
Interest income and similar revenues	11,191		-	-
Interest expense and similar costs	(9,877)	(3,936)	-	-
Commission income	-	-	-	-
Commission expense	(8,635)	(284)	-	-
Administrative expenses: other staff costs	(5,514)	(372)	(362)	-
Administrative expenses: others expenses - other	(2,806)	(9,531)	-	-
other operating income	-			
Total income statement	**(15,641)**	**(14,123)**	**(362)**	**-**

For the purposes of the current provisions, in 2018 it should be noted that there were no atypical and/or unusual operations with related parties or non-related parties, whose significance could give rise to anydoubtas to the security of the company'sassets.

Section 7 - Other disclosures

Part I) Share-based payments based on own equity instruments

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own equity instruments

1.1 Outstanding instruments

With regard to the medium-and long-term bonus plans for employees, the following types of plan are used

- Equity-settled share based payments;

The category refers to the allocation of the following instruments:

- **Stock options** allocated to selected top & senior managers and key talents of the Group and represented by subscription rights of UniCredit shares;
- Group executive incentive systems which offer eligible Group executives remuneration paid within five years. The beneficiaries receive a payment in cash and/or shares, in relation to the achievement of performance conditions (other than market conditions) as stated in the Plan Rules;
- **Group executive incentive systems** (Bonus Pool) which offers eligible Group executives and key personnel, identified in accordance with the regulatory requirements, a bonus structure consisting of instant payments (following performance appraisals) and deferred payments made in cash or ordinary UniCredit shares, over a period of 1-6 years. This payment structure is aligned to shareholder interests, and is subject to checks on malus clauses (where specific profitability, capital and liquidity thresholds are not met at both Group and country/division level), and to clawback conditions (where legally enforceable), according to the plan rules (both represent non-market vesting conditions);
- **Employee share ownership plan (ESOP - Let's share)** which offers eligible Group employees the opportunity to buy ordinary UniCredit shares with the advantage of allowing the allocation of a number of free shares or rights to shares, measured on the basis of the quantity of investment shares acquired by each participant during the subscription period. The granting of free ordinary shares is subordinated to the plan rules;
- **Long Term Incentive 2017-2019** that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on a 3-year performance period, aligned to the new UniCredit strategic plan and provides for the allocation of an award based on gateway conditions linked to profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019.

In line with Bank of Italy Circular 285 (update VII dated 19 November 2014 - Remuneration policies and practices), equity-settled share based payments, represented by deferred payments in UniCredit ordinary shares, are used for the settlement of the golden parachute (severance pay) for key personnel.

Part D - Other information (CONTINUED)

1.2 Measurement model

1.2.1 Stock Options

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:

- achievement of a Market Value equal to a multiple (M) of the exercise price;
- the probability of beneficiaries' early exit (E) when the Vesting Period has expired.

Economic and equity effects will be recognised on a basis of instrument vesting period. No new Stock Option Plans were granted in 2016.

1.2.2 Group Executive Incentive System

The amount of the incentive is determined on the basis of the fulfilment of quantitative and qualitative goals stated in the plan. In particular, the overall evaluation is 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 and multiplied by the incentive, determines the actual amount that will be paid to the beneficiary.
The financial and economic effects are distributed on the basis of the duration of the Plans.

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.
The financial and economic effects are distributed on the basis of the duration of the Plans.

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 divided into clusters, each of which may include two to three deferred share-based payment instalments according to the period defined by the plan rules.

	SHARES ALLOCATED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2015			
	INSTALMENT (2018)	INSTALMENT (2019)	INSTALMENT (2020)	INSTALMENT (2021)
Bonus Opportunity Economic Value Grant Date	21-Jan-2015	21-Jan-2015	21-Jan-2015	21-Jan-2015
Number of 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 expiry 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
Average Economic Value of Vesting conditions [€]	-0.261	-0.492	-0.814	-1.175
Performance Share value per share at Grant Date [€](*)	**3.150**	**2.919**	**2.597**	**2.236**

(*) The same fair values per unit are used for the quantification of costs connected to share based payments for the golden parachute.

Group Executive Incentive System 2016 (Bonus Pool)

The new Group Incentive System 2016 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between bonuses and organisation structure, defining the bonus pool at country/division level with further review at Group level;
- the allocation of bonuses to beneficiaries identified as Executives and other key personnel on the basis of criteria laid down in the Regulation of the European Banking Authority (EBA), and to other specific roles, based on local regulatory requirements;
- a mixed shares/cash payment structure has been defined in accordance with the regulatory provisions of Directive 2013/36/EU (CRD IV) and will be distributed in a period of 6 years.

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 for 2016)

The following tables show the 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
Grant date of Free Shares to Group employees	29-Jul-2016
Vesting period start date	29-Jul-2016
Vesting period expiry date	29-Jul-2017
Fair Value per unit of Free Shares [€]	**2.058**

All the income statement and balance sheet effects related to free shares are recognized during the vesting period (except adjustments, which according to the Plan Rules are recognized during the next closing after the vesting period).
Let's Share for 2016 is a plan involving the use of the shares to be procured on the market. Participants delegate a broker to purchase the shares to be deposited in an account opened in their name.

QUANTITATIVE INFORMATION

2. Other information

Effects on Profit and Loss

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

Annexes to the Notes to the accounts

Annex 1

UniCredit S.p.A.

Balance sheet as at 12.31.2017

(Amounts in millions of euro)

Assets	
Cash and cash balances	25,817
Financial assets held for trading	13,864
Loans and receivables with banks	27,567
Loans and receivables with customers	208,965
Financial investments	105,278
Hedging instruments	6,114
Property, plant and equipment	2,209
Goodwill	-
Other intangible assets	4
Tax assets	10,311
Non-current assets and disposal groups held for sale	150
Other assets	4,701
Total assets	**404,980**
Liabilities and equity	
Liabilities to banks	56,807
Deposits from customers and debt securities in issue	262,084
Financial liabilities held for trading	13,068
Financial liabilities designated at fair value	2,738
Hedging instruments	6,279
Provisions for risks and charges	1,843
Tax liabilities	1
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	8,652
Shareholders' Equity:	53,508
- capital and reserves	*46,964*
- available-for-sale assets fair value reserve and cash-flow hedging reserve	*308*
- net profit (loss)	*6,236*
Total liabilities and equity	**404,980**

Reclassified Income Statement - 2017

(Amounts in millions of euro)

Net interests	3,711
Dividends and other income from equity investments	3,808
Net commission	3,798
Net trading hedging and fair value income	302
Net other expenses/income	-95
OPERATING INCOME	**11,524**
Payroll costs	-3,139
Other administrative costs	-2,694
Recovery of expenses	546
Amortisation, depreciation and impairment losses on intangible and tangible assets	-137
Operating costs	**-5,424**
OPERATING PROFIT (LOSS)	**6,100**
Net write-downs on loans and provisions for guarantees and commitments	-1,854
NET OPERATING PROFIT (LOSS)	**4,246**
Net provisions for risks and charges	-565
Integration costs	14
Net income from investments	2,427
PROFIT BEFORE TAX	**6,122**
Tax (expenses) income for the year	30
NET PROFIT (LOSS)	**6,152**
Profit (Loss) from non-current assets held for sale, after tax	84
Goodwill impairment	0
NET PROFIT (LOSS)	**6,236**

Annex 2

Reconciliation of Income Statement and Reclassified Income Statement

	SCHEDULE ITEMS VALUE
Net interest	Net interest margin
Dividends and other income from equity investments	item 50
Net fees and commissions	Net fees and commissions
Result from trading and hedging	item 60
Net other expenses/income	item 160
OPERATING INCOME	**Sum**
Payroll costs	item 110 a) excluding integration costs
Other administrative expenses	item 110 b)
Impairment/write-backs on intangible and tangible assets	item 120
Operating costs	**Sum**
OPERATING PROFIT (LOSS)	**Sum**
Net write-downs on loans	item 100 a)
NET OPERATING PROFIT (LOSS)	**Sum**
Net provisions for risks and charges	item 150
Integration costs	of which item 110 a)
PROFIT BEFORE TAXES	**Sum**
Tax (expenses) income for the year	item 190

Annex 3

Disclosure of independent auditors' fees

In accordance with Article 149 of the Consob Issuers' Regulation, the following table provides information on the fees paid to the independent auditors, Deloitte & Touche S.p.A. and to companies in its network for the following services:

1. Auditing services including:
   - Auditing the businesses annual accounts and providing a professional opinion;
   - Auditing the interim accounts;
   - Quarterly account audits

2. Certification services, including services in which the independent auditor assesses a specific element, determined by another party that is responsible for it, according to appropriate criteria, in order to express an opinion which can give the recipient a degree of assurance in relation to that specific element.

3. Other services, including secondary tasks which must be adequately specified. These services include but are not limited to: Accounting, fiscal, legal and administrative due diligence, agreed procedures and advisory services to the Financial Reporting Officer, assistance with new projects.

The amounts shown in the table, pertaining to 2018, are the contractualized values including any indexing (they do not include out-of- pocket expenses, regulatory contributions if necessary, and VAT).

(thousands of euros)

TYPE OF SERVICE	SERVICE PROVIDER	SERVICE RECIPIENT	REMUNERATION (EURO)
Audit:			
- Financial Statements	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	77
- Limited review procedures on the half-yearly financial statements	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	17
Certification services	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	43
Tax consultancy services	Deloitte & Touche S.p.A.	UniCredit Factoring S.p.A.	-
Other services	Deloitte Consulting S.p.A.	UniCredit Factoring S.p.A.	107
Total			**244**

Board of Statutory Auditors’ Report

Unicredit Factoring S.p.A.
with sole shareholder
Share Capital Euro 414,348,000.00 fully paid up
Registered with the Milan Business Registry, Fiscal Code and VAT number no. 01462680156
Economic and Administrative Index of Milan no. 840973
Registered Office - Via Livio Cambi 5
Subject to the management and coordination of UniCredit S.p.A.

Report of the Board of Statutory Auditors pursuant to Article 2429 of the Italian Civil Code

Ordinary Shareholders’ Meeting of 10 April 2019

Dear Shareholders,

Pursuant to and for the purposes of Article 2429 of the Italian Civil Code, we report to you on the supervisory activities carried out during the year ended 31 December 2018, specifying that the Board of Statutory Auditors performed administrative control activities, pursuant to Article 2403, paragraph 1, of the Italian Civil Code, while, in exercising its duty pursuant to Article 2409-*bis* of the Italian Civil Code, this Shareholders' Meeting appointed Deloitte & Touche s.p.a. ("Deloitte”) as the independent auditors.

During the year ended 31 December 2018, we performed the supervisory activities required by law.

In particular, we point out that:

- We monitored compliance with the law and the articles of association, as well as compliance with the statutory provisions governing the operation of the company's governing bodies.
- We took part in the meetings of the Board of Directors and, on these occasions, we obtained information that allowed us to certify that the company's activities were being conducted correctly. We can therefore assure you that the transactions approved and carried out during the year comply with the law and the company's articles of association and are not manifestly imprudent, risky, in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.
- Thanks to the information obtained from the heads of the various corporate functions and from the auditing company, in writing as well as during the audits conducted in the year, and also the examination of the corporate documents, we have acquired knowledge of and supervised the organisational structure of the company and the internal control and administrative-accounting systems adopted, both of which are to be considered adequate and reliable for the purposes of effective governance of the operations and the correct representation thereof.

- There were no atypical or unusual transactions with group companies, third or related parties. In the notes to the financial statements, it is confirmed that during the year transactions were carried out with significant related parties, which were however concluded at arm's length.
- We have been able to verify the statutory audit activity through meetings with the representatives of Deloitte, who have illustrated the checks they conducted and the relative results. Our review did not reveal any reprehensible actions or aspects requiring further and specific analysis.
- In 2018, the independent auditors DELOITTE & TOUCHE S.p.a. performed only statutory auditing activities and issued a statement pursuant to art. 17 of Legislative Decree 39/2010 on the absence of situations that could compromise their independence or that would indicate the presence of any incompatibility.
- We have performed our Supervisory Body functions pursuant to Legislative Decree 231/2001. We have verified that there has been no conduct that is not in line with or does not comply with the principles and prescriptions contained in Model 231.

With regard to the financial statements for the year ended 31/12/2018, which show a profit for the year of Euro 29,398,621, we hereby indicate that, as we are not responsible for auditing the accounts, we have simply monitored the general layout of the financial statements and their compliance with the law as regards formation and structure, and therefore report as follows:

- We have analysed and checked that the provisions of the accounting standards have been adhered to and we specify that these financial statements have been prepared in compliance with the international accounting standards IAS/IFRS issued by the IASB, approved by the European Commission, and the relative interpretations of the International Financial Reporting Interpretation Committee (IFRIC).
- We supervised the general layout of these financial statements and their general compliance with the law with regard to its formation and structure, including also the Notes to the Financial Statements and the Report on Operations.
- We verified compliance with the provisions of the law in the preparation of the Report on Operations.
- We have verified the compliance of the Financial Statements with the facts and information of which we have become aware in the performance of our duties.
- We have acknowledged the work conducted by DELOITTE & TOUCHE S.p.a., the appointed independent auditors of the accounts, is which aimed at ascertaining the correct preparation of the financial statements for the year, in accordance with the provisions of the law and on the basis of

the recording of the operations conducted during the year.

During the course of the supervisory activity described above, no events were revealed that would require mention in this report.

We acknowledge that pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010, on 19 March 2019 Deloitte & Touche s.p.a. issued the "Report of the Independent Auditors" on the audit of the financial statements for the year, expressing an unqualified opinion on these financial statements. In the Report, the Independent Auditors also confirmed their independence from the Company, in compliance with the rules and principles of ethics and independence applicable to auditing in Italy, and pursuant to Article 14, paragraph 2, letter e), of the aforementioned Legislative Decree, they also formulated an unqualified opinion on the consistency of the Report on Operations with the statutory financial statements and its compliance with the law.

We also inform you that:

- No complaints pursuant to Article 2408 of the Italian Civil Code were received, nor were any complaints made by third parties.
- We have no knowledge from Deloitte of any other facts to bring to the attention of the Assembly.

On the basis of the above, and noting that the aforesaid independent auditors have issued the required "Independent Auditors' Report" without qualifications pursuant to Article 14 of Legislative Decree 39/2010, to the extent of our competence we have no reason to oppose the approval of the Financial Statements as at 31 December 2018 and the proposal for the allocation of the profit for the year formulated by the Board of Directors.

Finally, we would like to remind you that with the appointment of the members of the Board of Directors and the Board of Statutory Auditors for the financial years 2019 to 2021, as set out in the agenda below, the term of office of this Board of Statutory Auditors expires, and we wish to once again thank the Shareholder for the trust he has placed in us and the Company as a whole for its attention to and cooperation with us in the performance of our mandate.

Milan, 21 March 2019

Board of Statutory Auditors

Vincenzo Nicastro (Chairman)

Roberto Bianco (Standing Auditor)

Federica Bonato (Standing Auditor)

External Auditors’ Report

Deloitte.

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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 balance sheet as at December 31, 2018, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, 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, 2018 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, 2018 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, 2018 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 19, 2019

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

Ordinary Shareholders' Meeting resolution

Resolutions of the Ordinary Shareholders' Meeting

Pursuant to the vote in favour expressed by the sole shareholder UniCredit S.p.A., the Shareholders' Meeting has resolved to:

- approve the financial statements as at 31.12.2018 in accordance with the proposed terms

- approve the allocation of the profit for 2018, equal to Euro 29,398,621, as follows:

Euro 1,469,931 to the Legal Reserve
Euro 7,291,590 to Other Reserves
Euro 20,637,100 to shareholders in the form of Euro 0.257 per share

- prescribe that the Board of Directors will have seven (7) members

- appoint the following persons as Directors for the financial years 2019 to 2020 and 2021, and therefore until the Shareholders' Meeting to approve the financial statements as at 31 December 2021:

Maurizio Guerzoni, as Chairman

Lucio Izzi

Roberto Fiorini

Pietro Campagna

Erminio Chiappelli

Pasquale Antonio De Martino

Daniela Ferrari

- ˝To authorise the Directors , pursuant to art. 2390 of the Italian Civil Code, to pursue any competing activities, without prejudice to the application of art. 36 of Decree Law no. 201 of 6 December 2011, converted with amendments from Law no. 214 of 22 December 2011.

- Establish the overall annual remuneration due to the Board of Directors, for the activities carried out within its framework and for those related to the activities of the Board committees, as follows:

- Euro 95,000 (ninety-five thousand) as the total gross annual remuneration due to the Board of Directors, in addition to the additional benefit consisting of the D&O Policy - Civil Liability Insurance for Directors, the premium of which will be paid by the Company, while the directors will be solely responsible for the pro rata tax on the aforementioned premium, if applicable.

- Euro 300.00 (three hundred) gross as an attendance fee to be paid to each Director for each Board meeting.

- Euro 15,000 (fifteen thousand) and Euro 10,000 (ten thousand) as gross annual compensation due, respectively, to the Chairman and each member of the Audit Committee, if appointed.

- Appoint the following persons as members of the Board of Statutory Auditors for the financial years 2019 to 2020 and 2021, and therefore until the Shareholders' Meeting to approve the financial statements as at 31 December 2021:

Vincenzo Nicastro,as Chairman

Cecilia Andreoli (Standing Auditor)

Elisa Menicucci (Standing Auditor)

Alberto Caprari (Alternate Auditor)

Michele Paolillo (Alternate Auditor)

- Set the following amounts:

- Euro 30,000.00 (thirty thousand) and Euro 20,000.00 (twenty thousand) as the total gross annual remuneration due to the Chairman of the Board of Statutory Auditors and each Standing Auditor, and an additional benefit consisting of the D&O Policy - Civil Liability Insurance for Directors, the premium of which will be paid by the Company, while the directors will be solely responsible for the *pro rata* tax on the aforementioned premium, if applicable.

- Euro 300.00 (three hundred) gross, as the fee to be paid to each member of the Board of Statutory Auditors for participation in each meeting of the Board or of the Shareholders' Meeting, which does not include on the agenda the approval of the annual financial statements and of the Executive Committee, if any, as well as for participation in each meeting of the Board of Statutory Auditors, except periodic meetings, aimed at monitoring extraordinary corporate transactions, examining complaints pursuant to Article 2408 of the Italian Civil Code or in any case requested by a member of the administrative body, or by other company bodies, or other entities or government authorities.

- Euro 7,000 (seven thousand) and Euro 4,000 (four thousand) as the gross annual remuneration due, respectively, to the Chairman of the Board of Statutory Auditors and to each Standing Auditor for the performance of the functions of Supervisory Body pursuant to Legislative Decree 231/2001.

- Accept the request that the auditing firm Deloitte & Touche S.p.A. be appointed to conduct the statutory audit of the accounts of UniCredit Factoring for the financial years 2018 to 2021.

Our products

Our products

Assignment on a With-Recourse basis

This product is aimed at companies looking to outsource the management of their receivables to customers to a specialised operator, and who want to fund their working capital particularly during phases of growth, and at times when sales are rising.
In its with-recourse assignments, UniCredit Factoring acquires receivables to customers due to the assignor from its debtors, taking care of the administration and collection. At the assignor's request, UniCredit Factoring can pay an advance on the amount due, usually up to 80% of the total.
In with-recourse operations, the risk of insolvency of the debtor is borne by the assignor.

Assignment on a Without-Recourse basis

This product is aimed at companies looking to outsource the management of their trade receivables, and who may use this service in addition to the financing of their working capital particularly during phases of growth, and at times when sales are rising.
In its without-recourse assignments, UniCredit Factoring acquires receivables to customers due to the assignor from its debtors, taking care of the administration and collection. It bears the risk of the debtor's insolvency, under the conditions and limits stipulated in the contract. At the assignor's request, UniCredit Factoring can pay an advance on the amount due, usually up to 80% of the total.
In this type of operation however, the risk of insolvency of the debtor is transferred to UniCredit Factoring.

Maturity Assignment

This product is aimed at industrial or commercial companies of medium to large size, who want to regularise their cash flows and optimise cash management.
In a maturity assignment operation, UniCredit Factoring acquires the receivables to customers due to the assignor from its debtors, taking care of the administration and collection. It credits the assigning company with the related amount, on a pre-agreed date, usually related to the due date of the assigned receivables. At the assignor's request, UniCredit Factoring can pay an advance on the amount due, usually up to 80% of the total.
If required, UniCredit Factoring can also grant the debtor extended terms of payment without the cost being passed to the assignor.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Reverse Factoring

Reverse Factoring is a solution aimed at a large company (a "Debtor"), who may have a large and diverse portfolio of suppliers and wants to improve the efficiency and streamline the management of its purchasing cycle.
Reverse Factoring allows:
- the Debtor's suppliers to access special lines of credit under special conditions, also benefiting from the Debtor's credit rating;
- the "Debtor" to benefit from greater loyalty among its suppliers, thus improving the quality and punctuality of consignments from its trade partners. The Debtor can also rely on standardised, simplified administration procedures for the payment of suppliers, by using UniCredit Factoring as a single partner for every phase of the process.

If required, UniCredit Factoring can also grant the Debtor extended terms of payment without the cost being passed to the assignor.

Assignment of receivables with public bodies

Assignments of receivables with public bodies are targeted at companies with receivable from public-sector debtors, who want to outsource the management of these and reduce the collection times, converting the fixed costs of credit management into variable costs.
UniCredit Factoring acquires the receivables due to the assignor, taking care of the administration and collection.
At the assignor's request, UniCredit Factoring can pay an advance on the amount due, usually up to 80% of the total.
With this type of operation the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Import - Export factoring

This type of factoring is targeted at companies who want support in managing the amounts due from foreign counterparties.
With Export Factoring, UniCredit Factoring acquires the receivables to customers of the Italian assignor, due from some of its foreign debtors, and takes care of the administration and collection.
With Import Factoring, UniCredit Factoring acquires the receivables to customers of the foreign assignor, due from some of its Italian debtors, and takes care of the administration and collection. If required, the debtor may be granted extended terms of payment.
With both these types of operation, UniCredit Factoring provide its customers with its experience in the rating of foreign counterparties.
With both import and export operations, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse). At the assignor's request, UniCredit Factoring can pay an advance on the amount due, usually up to 80% of the total.
These operations are global. The activity can be carried out either with the collaboration of factoring companies in the UniCredit Group, or through the corresponding companies in the Factors Chain International (FCI) network.

Outright purchase of receivables

Outright purchase are intended for medium to large companies listed on the stock exchange or owned by multinationals, whose financial statements are governed by the IAS or the US FAS Standard, who want to optimise the management of their cash flow and improve their balance sheet indicators by definitively assigning receivables to UniCredit Factoring, which allows them to de-recognise the transferred financial assets.
In this type of operation, the risk of insolvency of the debtor is transferred to UniCredit Factoring.
The contract offers the possibility of giving the debtor extended payment terms, at a charge, compared to the terms of payment agreed with the supplier during the commercial negotiations.

Payment on Maturity

Payment on Maturity is a product designed for companies looking to regularise their cash flows and optimise cash management, by being able to rely on certain monies arriving on the original expiry date, and relieving themselves of the risk of the debtor's insolvency.
With Payment on Maturity, UniCredit Factoring acquires the receivables to customers of the assignor, due from some of its debtors, and allows the creditor company the opportunity to obtain payment on the original due date.
The special characteristic of this product is the transfer of the insolvency risk to UniCredit Factoring, which makes the discharging payments on the original due date. The risk of the debtor's insolvency in the period before the discharging payment is made, may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).
This product is particularly suited to companies that are subject to mandatory payment terms such as those in the agricultural or food industry, and which are subject to the rules of Article 62 of Decree Law 1/2012 (Law 27/2012).

Assignment of VAT credits

The assignment of VAT Credits is designed for companies of high standing that want to outsource the management of VAT credits for which rebates have been requested, and to obtain an advance on their payment, the terms of which may be medium- to long-term.
UniCredit Factoring acquires the credits due to the assignor from the Revenue Agency, and takes care of the administration and collection. At the request of the assigning company, UniCredit Factoring may also advance the amount of the credits assigned, or acquire them, usually on receipt of the notification, and up to a maximum of 80% of the related amount.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

Assignments of tax credits from direct taxation

The assignment of tax credits from direct taxation is designed for companies of high standing that want to outsource the management of tax credits such as corporation tax or "Robin tax", for which rebates have been requested, and to obtain an advance on their payment, the terms of which may be medium- to long-term.
UniCredit Factoring acquires the credits due to the assignor from the Revenue Agency, and takes care of the administration and collection. At the request of the assigning company, UniCredit Factoring may also advance the amount of the credits assigned, or acquire them, usually on receipt of the notification, and up to a maximum of 80% of the related amount.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without- recourse).

Assignment of credits from incentives paid under Ministerial Decree of 6 July 2012

This product is aimed at companies of high standing looking to outsource the management of credits due in relation to the measures governed by Ministerial Decree of 6 July 2012, paid by the Energy Services Operator (Gestore dei Servizi Energetici (GSE) in respect of electricity generated from non-solar renewable-source installations, and who want to obtain an advance on these payments.
UniCredit Factoring acquires the credits due to the assignor from the GSE, and takes care of the administration and collection. At the request of the assigning company, UniCredit Factoring may also advance the amount of the credits assigned, or acquire them, usually on receipt of the notification, and up to a maximum of 80% of the related amount.
With this type of operation, the risk of the debtor's insolvency may remain with the assigning company (with-recourse) or be borne by UniCredit Factoring (without-recourse).

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Solutions that matter.

UniCredit Factoring

www.unicreditfactoring.it