IFITALIA
GRUPPO BNP PARIBAS

Reports and Financial Statements 2016

INTERNATIONAL FACTORS ITALIA S.p.A. - IFITALIA
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
Registered offices and Headquarters: Via Vittor Pisani 15, 20124 Milan, Italy
Tel. No. +39 (02) 67781
Fax No. +39 (02) 6671.3190

Share capital: EUR 55,900,000
Tax Code No. 00455820589 - VAT No. 09509260155
Milan Companies' Register No. 00455820589 and Economic & Administrative Roster No. 683665
Register of Financial Brokers: mechanised code no. 19016

2016 Statutory Financial Statements

Offices

Milan	20124	Via Vittor Pisani, 15 Tel. No. 02/67781

Commercial offices within branches of Banca Nazionale del Lavoro

Ancona	60122	Corso Stamira, 10 Tel. No. 071/203846
Bari	70121	Via Dante Alighieri, 32/40 Tel. No. 080/5210177
Bologna	40125	Via Rizzoli, 26 Tel. No. 051/237001
Catania	95131	Corso Sicilia, 30 Tel. No. 095/322320
Genoa	16121	Largo Eros Lanfranco, 2 Tel. No. 010/582571
Mestre	30175	Corso del Popolo, 21 Tel. No. 041/5044070
Naples	80134	Via Toledo, 126 Tel. No. 081/5517364
Padua	35139	Piazza Insurrezione, 6/6A Tel. No. 049/655988
Palermo	90133	Via Roma, 291 Tel. No. 091/6111387
Parma	43100	Piazza Garibaldi, 17/A Tel. No. 0521/206232
Pescara	65121	Corso Vittorio Emanuele, 148 Tel. No. 085/4429552
Prato	50047	Via Bettino, 2 Tel. No. 0574/453605
Rome	00187	Salita San Nicola da Tolentino, 13 Tel. No. 06/42010834
Turin	10121	Via XX Settembre, 40 Tel. No. 011/543444

Directors and Officers as at 31 December 2016

Board of Directors	MARIO GIROTTI	*Chairman*
	PAOLO ALBERTO DE ANGELIS	*Vice Chairman*
	MARIO SPAZIANTE	*Director*
	MICHELA CICENIA	*Director*
	ANGELO NOVATI	*Director*
	OLIVIER MARIE PERRAIN	*Director*
	PATRICK PIERRE MARIE GALOUZEAU DE VILLEPIN	*Director*
Board of Statutory Auditors	FRANCESCO SCHIAVONE PANNI	*Chairman*
	ROBERTO SERRENTINO	*Acting Auditor*
	GUIDO NORI	*Acting Auditor*
	LORENZO THEODOLI CICCOLINI	*Alternate Auditor*
	ROBERTO D'AYALA VALVA	*Alternate Auditor*
General Manager	ROBERTO PONDRELLI (up to 31 January 2017)	
	GIANLUCA LAURIA (since 1 February 2017)	

Report on Operations

Report on Operations

Ifitalia S.p.A. - Highlights	2016	2015	% changes
VOLUMES			
Turnover	28,767,520	24,989,746	15.1%
- without recourse	24,792,757	20,145,742	23.1%
- with recourse	3,974,762	4,844,005	-17.9%
ECONOMIC DATA			
Net interest	73,252	72,687	0.8%
Net commissions	50,395	64,164	-21.5%
Net banking income	123,876	137,584	-10.0%
Administrative expenses	44,044	43,787	0.6%
- personnel expenses	*19,411*	*19,567*	-0.8%
Net adjustments for impairment of tangible and intangible assets	2,820	2,727	3.4%
Net adjustments for impairment of financial assets	13,957	29,748	-53.1%
Net operating income	62,043	62,307	-0.4%
Profit for the year	45,214	44,534	1.5%
BALANCE SHEET DATA			
Total assets	7,669,771	*6,530,680*	17.4%
Total Risk Weighted Assets (RWA)	7,666,615	*6,559,788*	16.9%
Due from customers	7,539,121	*6,372,014*	18.3%
Loans to lending and financial institutions	14,366	*7,351*	95.4%
Available-for-sale assets	7,285	*8,281*	-12.0%
Due to lending and financial institutions	6,441,688	*5,395,765*	19.4%
Due to customers	394,847	*272,874*	44.7%
Equity	666,088	*621,113*	7.2%
Tier 1 capital	610,841	*603,763*	1.2%
Supervisory capital	611,589	*609,114*	0.4%
PROFITABILITY, EFFICIENCY AND DIVERSIFICATION INDICES			
R.O.E.	7.0%	7.4%	-5.5%
(*)Cost / income (with amortisation/depreciation)	37.8%	33.8%	11.9%
Net commissions/Earnings margin	40.7%	46.6%	-12.8%

(*) Includes "administrative expenses" and "net adjustments for impairment of tangible and intangible assets"

Ifitalia S.p.A. - Highlights	2016	2015	% changes
ASSET QUALITY			
Total problem positions	**566,396**	**673,286**	**-15.9%**
- in relation to customer receivables	7.51%	10.57%	-28.9%
- coverage percentage	51.09%	42.08%	21.4%
Non-performing positions	**289,892**	**265,848**	**9.0%**
- in relation to customer receivables	3.85%	4.17%	*-7.8%*
- coverage percentage	69.55%	65.91%	*5.5%*
Unlikely to pay	**236,070**	**333,291**	**-29.2%**
- in relation to customer receivables	3.13%	5.23%	*-40.1%*
- coverage percentage	36.16%	31.60%	*14.4%*
Past due positions	**40,434**	**74,148**	**-45.5%**
- in relation to customer receivables	0.54%	1.16%	*-53.9%*
- coverage percentage	5.95%	3.76%	*58.4%*
CAPITALISATION RATIOS			
Tier 1 ratio	7.97%	9.21%	-13.4%
Solvency ratio	7.98%	9.29%	-14.1%
STRUCTURAL DATA			
Employees at year end	231	229	0.9%
No. of commercial offices	15	16	-6.3%
- of which in Italy	15	16	-6.3%
INFORMATION ON IFITALIA SECURITY			
Total number of shares	55,900,000	55,900,000	0.0%
- of which ordinary	55,900,000	55,900,000	0.0%
Par value (euro)	1	1	0.0%
Current value (euro) (**)	12	11	7.2%

(**) Effective Equity/total number of share

Results overview

In a negative economic scenario which discloses timid signs of recovery, Ifitalia has shown a positive capacity for action that has taken on the form of an increase in brokerage activities, both in terms of additional turnover developed (+15.1%) and average loans managed (+12.9%). This trend did not however reflect positively on the net banking income (-10%) due to the significant reduction in the spreads as a result of the very liquid and highly competitive market.
The afore-mentioned drop was partly offset by the decrease in the cost of risk (-55% with respect to 2015).

During 2016, the Company's core activities recorded a considerable increase in **loans to customers,** which rose from EUR 6,372 million in 2015 to EUR 7,539 million in 2016 (+18%); also turnover (EUR 28,678 million compared with EUR 24,990 million in 2015), and average loans rose respectively by 15.1% and 12.9%.

The **net banking income** fell from EUR 137.6 million in 2015 to EUR 123.9 million in 2015 (-10%). This decrease is mainly the result of the decrease in the commission and financial spread. Particularly:

- **net interest** amounted to around EUR 73.3 million (EUR 72.7 million in 2015) disclosing a slight increase of 1% due to the decrease in the financial spread, which fell from 1.72% to 1.31%, offset by the rise in the average volumes brokered (+12.9%) and a greater yield of default interest on public entities;
- **net commissions**, equalling EUR 50.4 million, emerged as down with respect to 2015 by EUR 13.8 million (-21%).This decrease was determined by the drop in commission income further to the lower commission spread which passed from 0.26% in the previous year to 0.20% in December 2016, the reduction in the malus commissions (around EUR -3 million) following the improvement in the portfolio and the resulting minor measures under guarantee, the increase in insurance costs and commissions reversed to the network of placement agents.

As regards the cost of risk, during 2016 the Company recorded **net value adjustments on financial assets** for EUR 13.8 million, recording a decrease of 55% on the previous year.
The decrease in the net value adjustments on financial assets is attributable to the minor analytical adjustments on receivables classified as unlikely to pay.

Administrative expenses recorded a 0.6% increase compared to December 2015:

- **personnel expenses**, amounting to EUR 19,411 thousand, were down by 0.8% when compared with December 2015 mainly as a result of the conferral to BPI of the business segments relating to the workout segment in Q2 2015;
- **other administrative expenses** increased 1.71% with respect to last year; this change is essentially due to the increase in IT costs and legal fees.

The **net value adjustments on tangible and intangible assets** were EUR 2.8 million and were essentially in line with those in 2015. Of these, EUR 1.2 million (EUR 1.3 million in 2015) refer to tangible assets and EUR 1.6 million (EUR 1.4 million in 2015) to intangible assets.

In defining administrative expenses and depreciation and amortisation expenses compared with the net banking income, the cost-to-income ratio equalled 37.8% in 2016 against 33.8% in 2015.

Other operating income and expenses amounted to EUR 2.7 million (EUR 3.4 million).

The **net operating income** stood at EUR 62 million.

After direct taxes, which were EUR 17 million, the **profit for the year** was EUR 45.2 million (EUR 44.5 million in 2015, +1.53%).

* * *

Equity, including the profit for the year, is EUR 666 million (+7% against 2015).

As at 31 December 2016, the level of capitalisation for Supervisory purposes was expressed by a Tier 1 Capital Ratio of 7.97% (9.20% in 2015) and by a Total Capital Ratio of 7.98% (9.29% at the end of December 2015).

Market in which the company operates

Macroeconomic scenario

The world economy and the Euro area

During 2016, the global economy grew at an annual rate of just over 3%, similar to that in the previous years.
The trend in international trade slowed further, resulting lower than global economic expansion for the third time in the last five years. The weak trend in volumes (growth of less than 2%) was accompanied by a trend in prices that remained negative, especially in the energy products segment.
There were few changes in the area of emerging countries. The results for Brazil and Russia remained unfavourable, though Russia saw a positive correction. In Asia, China's steady performance was accompanied by the good performance of India.
The scenario of the most economically advanced countries was relatively stagnant overall. In the USA, the economic trend was particularly modest in the first half of the year, becoming more robust in the following quarters. The moderate performance of consumer spending is accompanied by substantial stagnation in investments which, however, showed a promising pick up in the last part of the year. In December, consumer prices recorded the highest rise in the last five years, boosting the annual average above 2%. The changed scenario arising in the second half of the year strengthened the conviction that it was appropriate to reduce the accommodating tone of monetary policy: thus, in December a new, limited increase was decided (25 hundredths) for the federal funds rate (target range now at 0.50%-0.75%).
Europe was affected by the United Kingdom's decision to leave the European Union and many important elections planned in 2017. In the Eurozone, economic growth remained moderate, though it has now spread to almost all of the countries in the area, though at different rates. The contained dynamic in consumer spending has been supplemented by more decisive growth in investments. Deflation risk is slowly returning to normal, but the underlying trend is not yet showing a stable growth trend. In December, consumer inflation exceeded the annual threshold of 1%, primarily due to the performances in Germany and Spain. Though acknowledging these changes, the European Central Bank decided to confirm its decisively expansive approach. Nonetheless, a change in European monetary policy in a less accommodating direction also seems closer than perceived some time ago.

The Italian economy

In 2016, GDP growth was positive for the third year in a row, slightly below the threshold of 1%. This was better than in the previous years, but still significantly below the average figure for the Eurozone.
Internal demand drove growth, with positive indications also in the area of investments. Business confidence improved, boosted by a recovery in revenues, better capital conditions and a more easing financial climate. However, the overall sign of economic performance was highly differentiated at geographic and sector levels.
Private consumer spending grew but households have retained a prudent approach in their spending. The intonation of the labour market is slowly changing, and signs of improvement are deemed still fragile. The perception that the situation is returning to positive ground called back some of the discouraged jobseekers. Despite the increase in individuals employed (over 200 thousand), the unemployment rate did not see any decreases (at 12%), standing at 40% for young people (15-24).
The automobile market and the housing markets continued to consolidate the ongoing recovery. Last year vehicle registrations and the number of real estate transactions both increased by over 15%, though remaining far from the prevailing values of the past.
The trade balance improved. Imports grew in volume, but decreased in value by around 2%, benefiting from the drop in the prices of raw materials and energy materials. On their side, exports closed the year with a limited increase: as in

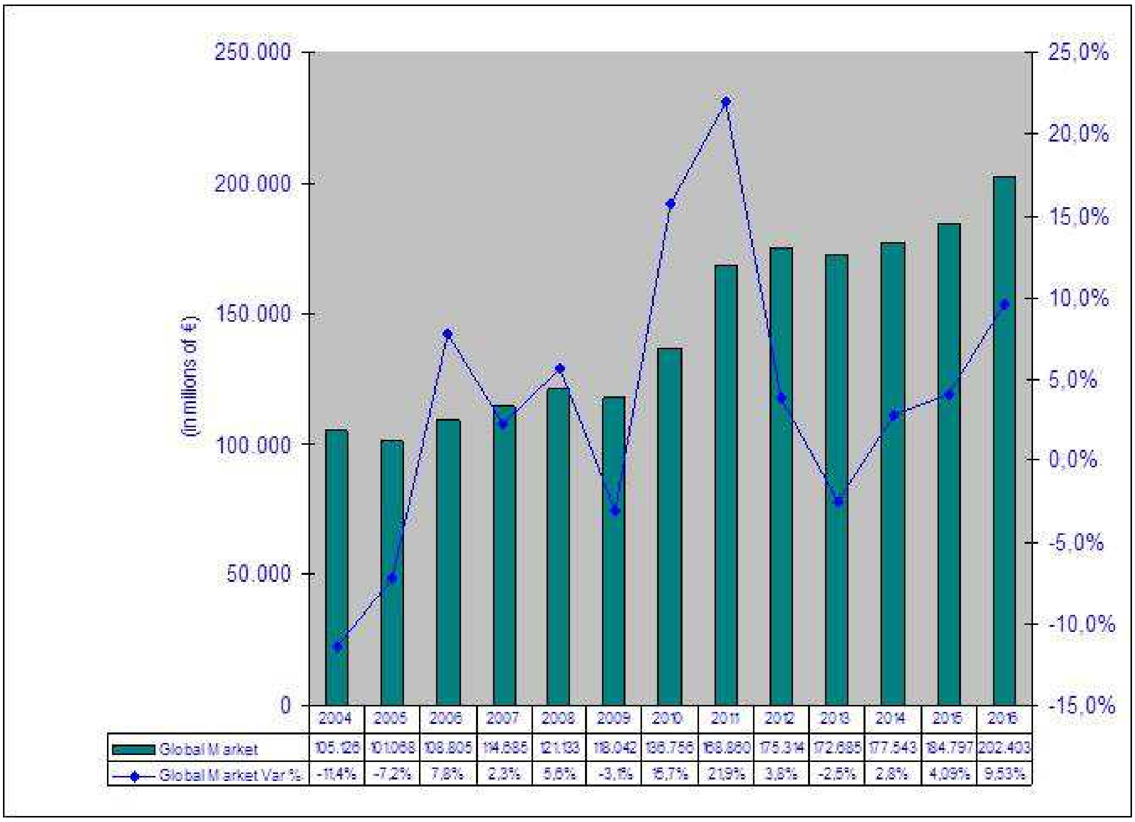
the previous year, growth in sales in European Union countries were offset by a downturn in those in the rest of the world.
In the last two months of the year, the inflation rate returned to marginally positive ground, though the annual average was still negative. Excluding the most volatile components (energy and food products), the trend in prices was positive (+0.5%) but still very far from the historical figure and the European average.

Lending activities in Italy

In Italy in 2016, lending activities stagnated. Last year closed with nil growth in total loans, though in the presence of a more favourable economic trend. However, this was an improvement on the previous years, which had recorded an overall contraction in the amount of loans, though gradually decreasing in size.
The performances in the main sectors of economic activities provide conflicting indications: against strengthened growth in loans to consumer households (+2.5% YoY in November), loans to businesses was still down slightly (-0.1% YoY in November) with trends differentiated based on geographical area and business size. If, for medium/large companies the trend was moderately positive (+0.4% in Central Northern Italy and +0.6% in Southern Italy), loans to small businesses continued to decline, with sharper drops in Central Northern Italy (-2.4%) than those recorded in Southern Italy and the Islands (-0.4%). The trend in loans was confirmed as differentiated also in terms of sector of economic activities: loans to manufacturing and construction companies decreased, while those to service companies grew.
Encouraged by the dynamic in disposable income, in both geographical areas in Italy the trend in loans to consumer households saw a strengthening in the growth rate, specifically in the consumer credit and home loan segments. However, decreases were seen in loans to government authorities (-3.4%), financial and insurance businesses (-2.8%) and to non-profit making entities (-3.4%).
Credit quality continued to improve. In the 3rd quarter, the ratio of new non-performing loans to total loans decreased to 2.6% (-3 tenths) thanks to the reduction in the indicator regarding businesses (to 4.1% -4 tenths) and that regarding households (to 1.7% -2 tenths).
Within the sphere of bank deposits, differing trends continue to present themselves: the growth in deposits (+3.2%) still counters the sharp drop for bonds (-9.2%).
Asset management activities in 2016 closed with a new, decidedly favourable result. Net funding, in fact, reached EUR 55 billion and total assets managed came to slightly less than EUR 1,950 billion.

The factoring market

In Italy, the factoring market in 2016 consolidated the figure regarding the previous year, reaching nearly 12% of GDP. Based on the figures provided by Assifact in 2016, the market, in terms of **turnover**, came to EUR 202,403 million, up 9.53% over the previous year. This market continues to be highly concentrated.



In terms of **loans**, the factoring market came to EUR 49,703 million reporting an increase of 8.5% with respect to 2015 (Ifitalia +15.2%); **average loans,** amounting to EUR 33,147 million, reported an increase of 3.9%.

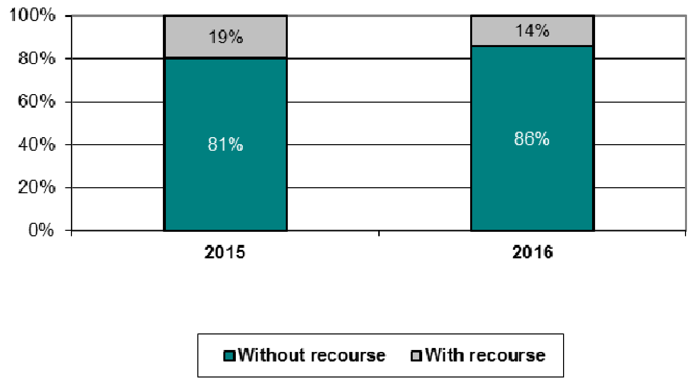
Ifitalia's competitive positioning

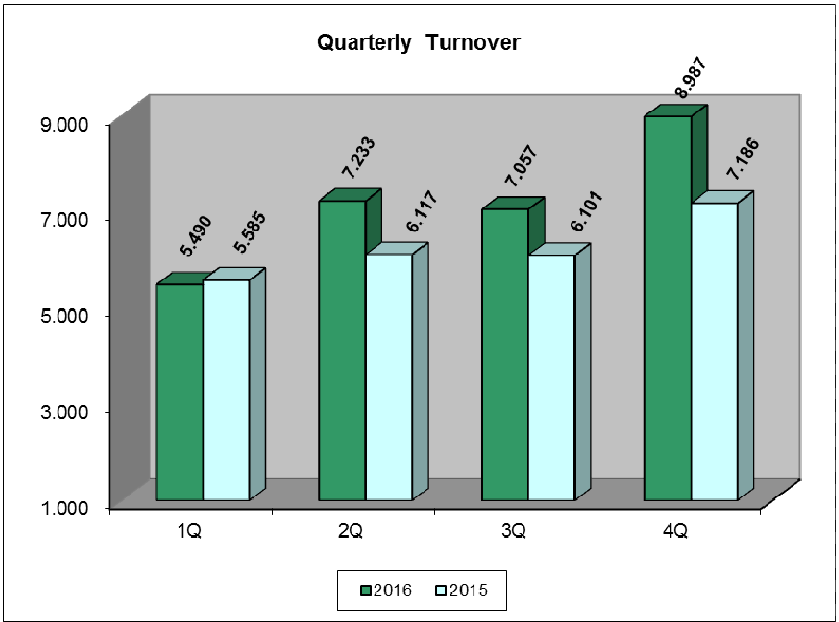
Turnover

Ifitalia's turnover, flow of loans/receivables acquired by the Company during 2016, reached EUR 28,768 million (EUR 24,990 million in 2015) reporting growth of 15.1%.
With regard to the breakdown between products, carried out according to the contractual form, without-recourse factoring represented 86% of total turnover (81% in 2015) while with-recourse factoring represented 14% (19% in 2015).

(in milions of €)

TURNOVER	31/12/2016	31/12/2015	Changes	%
Without recourse	24,793	20,146	4,647	23.1%
With recourse	3,975	4,844	(869)	-17.9%
Total	**28,768**	**24,990**	**3,778**	**15.1%**

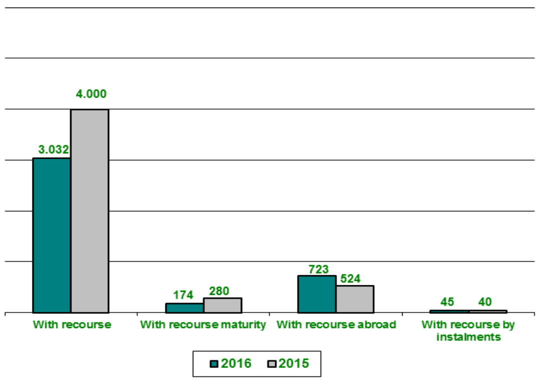


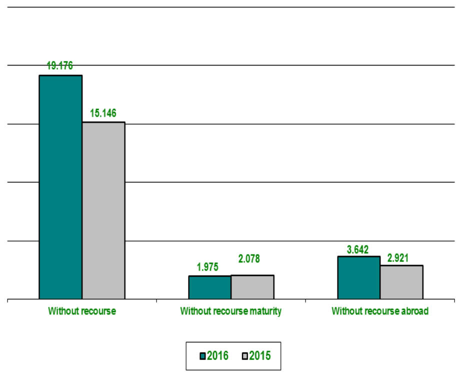


As regards the composition, the graphs below show without recourse and with recourse factoring further broken down into their income components.

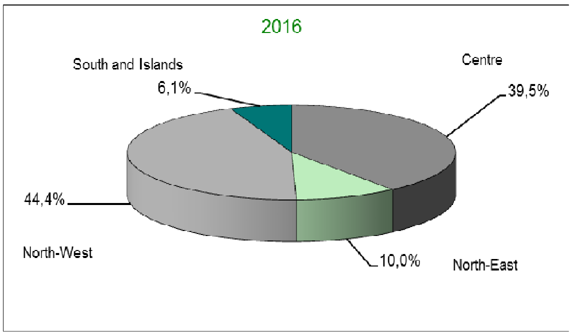
(in milions of €)

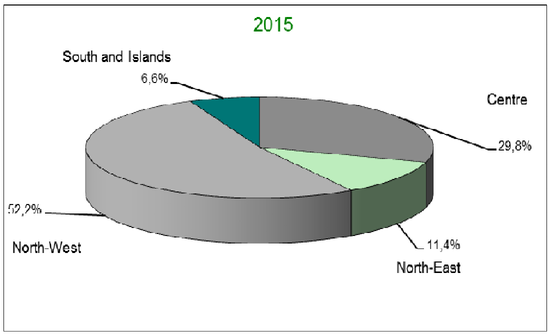
Product	Turnover 2016	Turnover 2015	Changes	%	Incidence % 2016
Without recourse	19,176	15,146	4,029	26.6%	66.7%
Without recourse maturity	1,975	2,078	(103)	-5.0%	6.9%
Without recourse abroad	3,642	2,921	721	24.7%	12.7%
Total	**24,793**	**20,146**	**4,647**	**23.1%**	**86.2%**
With recourse	3,032	4,000	(968)	-24.2%	10.5%
With recourse maturity	174	280	(105)	-37.7%	0.6%
With recourse abroad	723	524	199	38.0%	2.5%
With recourse by instalments	45	40	5	12.5%	0.2%
Total	**3,975**	**4,844**	**(869)**	**-17.9%**	**13.8%**
TOTAL	**28,768**	**24,990**	**3,778**	**15.1%**	**100%**





With regard to the domestic geographic breakdown of the transferors, they were distributed as follows:





The graphs above disclose the turnover divided up by geographic area, relating to the Italy segment which represents 95.8% (EUR 27,567 million) of total turnover, slightly increasing in absolute value compared with 2015 (EUR 24,098 million, 96.4% of the total).

Foreign turnover came to EUR 1,201 million (EUR 892 million in 2015) and represents 4.2% of total turnover (3.6% in 2015).

(in milions of €)

Areas	2016	% of the total	2015	% of the total
CENTRE	10,886	37.8%	7,171	28.7%
NORTH-EAST	2,769	9.6%	2,755	11.0%
NORTH-WEST	12,240	42.5%	12,589	50.4%
SOUTH AND ISLANDS	1,671	5.8%	1,583	6.3%
TOTAL FOR ITALY	27,567	95.8%	24,098	96.4%
ABROAD	1,201	4.2%	892	3.6%
TOTAL TURNOVER	**28,768**	**100.0%**	**24,990**	**100.0%**

With reference to the **sectors of economic activities,** 2016 turnover presented the following breakdown:

TURNOVER BY ECONOMIC SECTOR

		YEAR 2016	YEAR 2015	DELTA
52	Energy products	26.0%	21.5%	20.9%
67	Commerce, recovery, repair services	13.5%	14.0%	-3.5%
00	Unclassified subjects	11.3%	11.4%	-0.8%
73	Other services for sale	9.0%	8.1%	11.2%
60	Means of transport	8.6%	8.5%	1.4%
72	Communication services	5.7%	6.7%	-14.0%
61	Foodstuff and tobacco products	3.7%	4.5%	-17.0%
59	Electric materials and supplies	3.0%	3.0%	0.2%
63	Paper, paper products, press products, publishing	2.3%	2.5%	-5.1%
56	Metal products excluding means of transport	2.1%	2.5%	-14.3%
66	Construction and public w orks	2.0%	3.2%	-37.4%
64	Rubber and plastic products	1.9%	2.4%	-20.9%
55	Chemicals	1.7%	1.5%	12.2%
71	Services connected to transports	1.6%	1.5%	10.6%
57	Agricultural and industrial machines	1.6%	1.9%	-16.8%
53	Minerals, ferrous and non ferrous metals	1.5%	2.0%	-25.8%
69	Internal transport services	1.1%	1.2%	-10.1%
62	Textiles, footw ear and clothing	1.0%	1.1%	-7.1%
58	Office machines, computers, precision tools, etc.	0.6%	0.7%	-15.5%
54	Minerals and non-metallic mineral products	0.5%	0.5%	-3.1%
51	Farming, forestry, fishery products	0.5%	0.5%	-11.7%
68	Hotel and public services	0.4%	0.5%	-22.1%
65	Other industrial products	0.4%	0.4%	-13.3%
70	Maritime and air transport services	0.1%	0.2%	-20.9%
	Total	**100%**	**100%**	

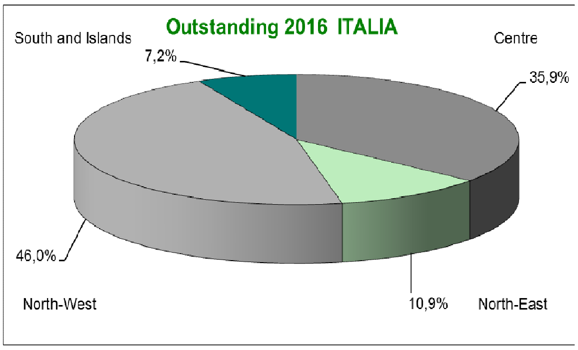
This year the industry that made the most use of factoring was the "energy products" industry, whose share increased from 21.5% to 26% following the acquisition of a significant account.
The industries that make the most use of factoring remain "commerce services" (13.5%; -3.5% compared to 2015), "unclassified" (11.3%; -0.8% compared to 2015), "other services for sale" (9%; +11.2% compared to 2015) and "means of transport" (8.6%; +1.4% compared to 2015).
85.2% of total turnover is concentrated within the first ten sectors (82.5% in 2015).

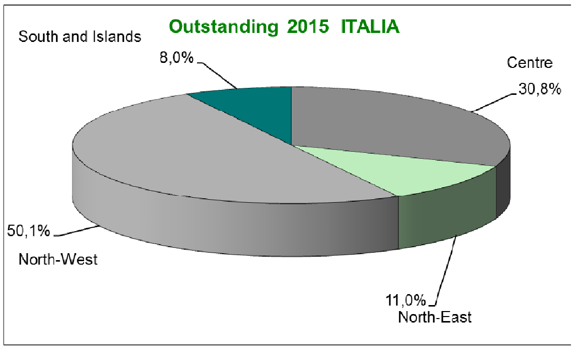
Outstanding positions

The stock of loans/receivables at nominal value effectively factored at year end amounted to EUR 8,966 million (EUR 7,919 million in 2015, +13.2%), of which EUR 7,076 million (78.9% of total loans/receivables) refers to contracts factored without recourse, while EUR 1,890 million concerns with recourse contracts (21.1% of the total).
Within the amounts indicated above, total international factoring transactions amounted to EUR 1,233 million (13.8% of the total), of which EUR 1,104 million for export transactions (EUR 723 million in 2015) and EUR 129 million for import factoring transactions (EUR 130 million in 2015).

Outstanding positions in Italy came to EUR 8,573 million compared with EUR 7,640 million in the previous year and represent 95.6% of total outstanding positions (96.5% in 2015).

As regards the geographic breakdown of Domestic customers, from the **transferor side**, a decrease of 4.1% was recorded in the "North-West" area (50.1% in 2015 versus 46% in 2016).

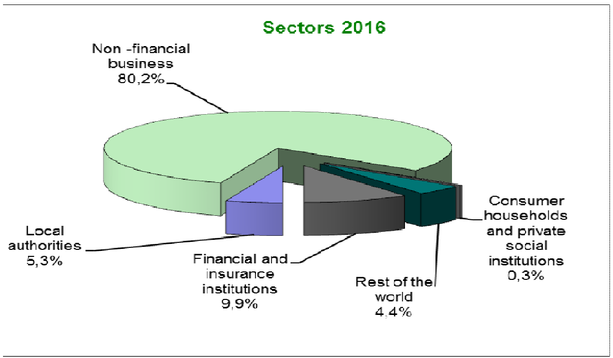


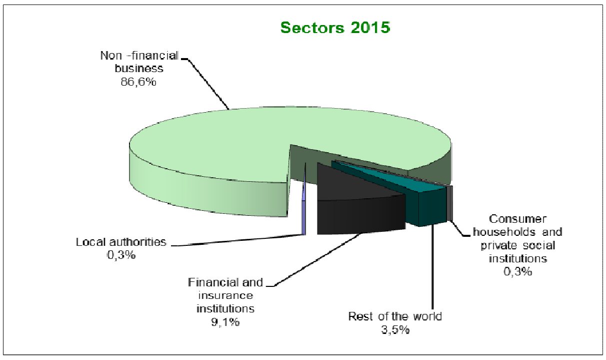


With regard to the foreign segment, the outstanding balance, considered in relation to the nationality of the transferor, came to EUR 393 million (EUR 278 million in 2015) and represented 4.4% of the total outstanding amount (3.5% in 2015).

OUTSTANDING BALANCE				(millions of euros)
Areas	**2016**	**% of the total**	**2015**	**% of the total**
CENTRE	3,074	34.3%	2,355	29.7%
NORTH-EAST	931	10.4%	844	10.7%
NORTH-WEST	3,947	44.0%	3,831	48.4%
SOUTH AND ISLANDS	621	6.9%	610	7.7%
TOTAL FOR ITALY	8,573	95.6%	7,640	96.5%
ABROAD	393	4.4%	278	3.5%
TOTAL OUTSTANDING BALANCE	**8,966**	**100.0%**	**7,919**	**100.0%**

The breakdown of loans/receivables by segment confirms that in 2016, 80.2% of these amounts was attributable to transferors belonging to the category of non-financial businesses (86.7% in 2015).

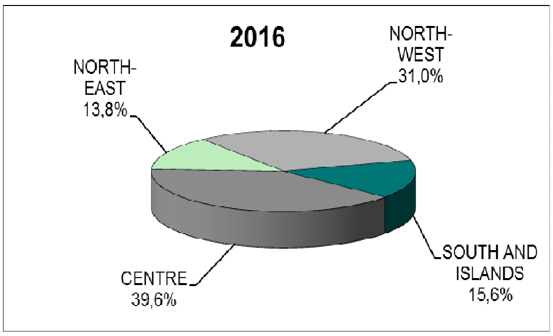


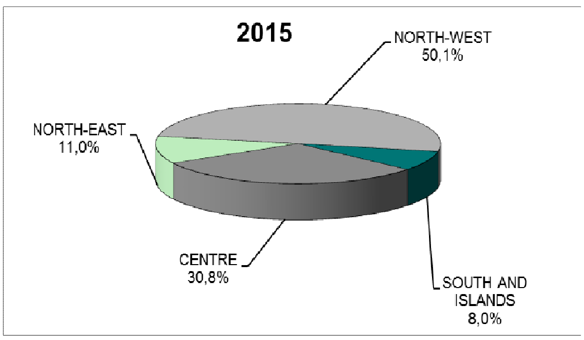


By contrast, with regard to the breakdown of these amounts according to the segment the transferor belongs to, the following table confirms that 65.8% of the customer portfolio concerns loans/receivables deriving from the top five segments of economic activities; adding the next five, 82.9% of the global amount is reached.
Two of the most significant sectors are “other services for sale” and “commerce, recovery, repair services”, each with a share of 14.9%.
These sectors are followed by the “unclassified” and “energy products” sectors, whose share increased from 10.6% to 13.9% following the acquisition of a significant account.

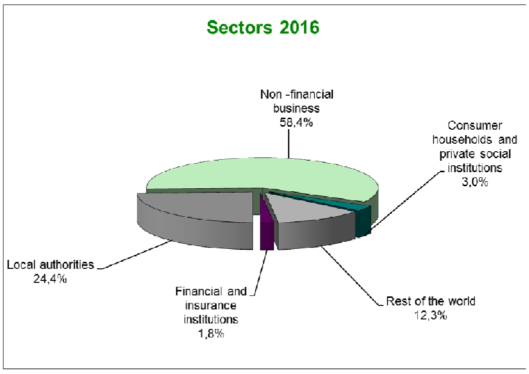
	OUTSTANDING BY ECONOMIC SECTOR	YEAR 2016	YEAR 2015	DELTA
73	Other services for sale	14.9%	14.1%	5.7%
67	Commerce, recovery, repair services	14.9%	14.8%	0.8%
0	Unclassified subjects	14.8%	13.1%	13.0%
52	Energy products	13.9%	10.6%	32.0%
60	Means of transport	7.3%	7.7%	-6.0%
66	Construction and public works	3.7%	5.1%	-27.1%
57	Agricultural and industrial machines	3.5%	3.8%	-8.8%
59	Electric materials and supplies	3.5%	3.4%	3.2%
63	Paper, paper products, press products, publishing	3.2%	3.7%	-13.7%
72	Communication services	3.2%	4.4%	-28.7%
61	Foodstuff and tobacco products	2.7%	3.1%	-14.7%
56	Metal products excluding means of transport	2.6%	3.2%	-19.8%
64	Rubber and plastic products	2.1%	2.5%	-15.6%
55	Chemicals	1.7%	1.1%	52.8%
53	Minerals, ferrous and non ferrous metals	1.6%	1.6%	1.8%
71	Services connected to transports	1.5%	1.5%	2.6%
62	Textiles, footwear and clothing	1.4%	1.3%	8.8%
69	Internal transport services	0.8%	2.0%	-59.5%
58	Office machines, computers, precision tools, etc.	0.7%	0.9%	-20.6%
54	Minerals and non-metallic mineral products	0.6%	0.5%	11.5%
65	Other industrial products	0.5%	0.5%	1.4%
70	Maritime and air transport services	0.3%	0.4%	-27.8%
51	Farming, forestry, fishery products	0.3%	0.3%	7.3%
68	Hotel and public services	0.2%	0.3%	-11.4%
	Total	**100%**	**100%**	

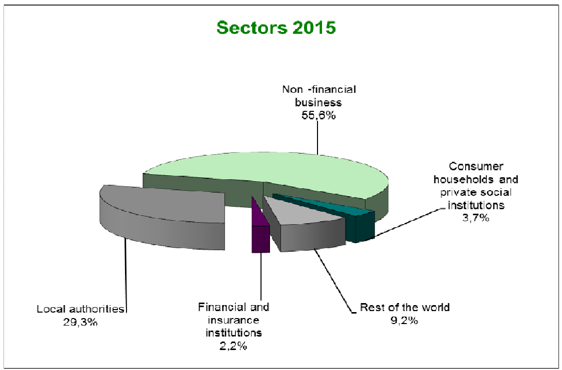
Following the already analysed distribution of the outstanding transferor balances by geographic area, the same figure is now analysed seen from the **debtor side**. The graphs below reveal how, in relation to the previous year, the “Central”, “South and Islands” and the “North East” areas increased, respectively by 8.8%, 7.6% and 2.7%; whereas the “North West” area recorded a decrease of 19.1%.





Likewise, the breakdown by sectors of economic activities, again analysed from the **debtor side**, expressed the situation indicated below, which revealed substantial growth in the debtors belonging to the "Non-financial business" segment, rising from 55.6% in 2015 to 58.4% in 2016 and a decrease in the "Local authorities" segment, which dropped from 29.3% in 2015 to 24.4% in 2016.





Profit performance

Net banking income

In order to more fully assess the performance of the single components of the net banking income, it is considered useful to analyse the breakdown of its individual items:

- the **net interest** is EUR 73.3 million (+0.8%) versus EUR 72.7 million in 2015. The reduction in the spreads, in line with the market trend, was fully offset by the increase in the average volumes brokered in 2016;

(in milions of €)

	31/12/2016	31/12/2015	% change
Interest and similar income	72.8	80.4	-9.5
Interest expense and similar charges	0.5	-7.7	-106.3
Net interest	**73.3**	**72.7**	**0.8**

- **net commissions**, equalling EUR 50.4 million, emerged as down with respect to 2015 by EUR 13.8 million (-21.5%). The trend was affected by a decrease in commission income. The commissions on typical factoring activities equalled EUR 62 million compared to EUR 74.3 million in 2015. The reduction is attributable to the decrease in the commission margin; the malus commissions also decreased by EUR 3 million further to the fewer measures under guarantee. With reference to commission expense, there was an increase of about EUR 1.5 million due to additional credit insurance costs and higher commissions to placement agents.

(in milions of €)

	31/12/2016	31/12/2015	% change
Commission income			
Services for factoring transactions	62.0	74.3	-16.5
Commission income	**62.0**	**74.3**	**-16.5**
Commission expense			
Other services	-11.6	-10.1	15.2
Commission expense	**-11.6**	**-10.1**	**15.2**
Net commission	**50.4**	**64.2**	**-21.5**

The **net trading profit (loss)**, equating to a revenue of EUR 113 thousand (EUR 303 thousand in 2015), derives from the valuation at fair value (level 2) of derivatives entered into with BNL.

In addition, **dividends** for EUR 118 thousand (EUR 430 thousand in 2015) were recorded essentially relating to the Serfactoring holding.

Adding net commissions and the aforementioned revenues to the net interest, a **net banking income** was achieved totalling EUR 123.9 million (EUR 137.6 million in 2015; -10%).

Net value adjustments for impairment of financial assets

(in milions of €)

	31/12/2016	31/12/2015	% change
Net value adjustments/writebacks for impairment of loans and receivables			
Net value adjustments/writebacks for discounting interest	-1.7	0.8	-312.6
Net value adjustments, analytical	17.0	33.8	-49.7
non-performing loans	*9.8*	*9.7*	1.3
problem loans	*-0.3*	*-1.4*	-79.0
restructured receivables	*7.5*	*25.5*	-70.6
Total impairment	*-1.5*	*-3.9*	-60.8
Total net value adjustments/writebacks	**13.8**	**30.7**	**-55.1**

The total of net value adjustments/writebacks was EUR 13.8 million versus EUR 30.7 million last year.

Administrative expenses

(in milions of €)

	31/12/2016	31/12/2015	% change
Administrative expenses:	-44.0	-43.8	0.6
personnel expenses	*-19.4*	*-19.6*	*-0.8*
others administrative expenses	*-24.6*	*-24.2*	*1.7*
of which: indirect taxes and dues	*1.1*	*1.2*	*-10.5*
Administrative expenses	**-44.0**	**-43.8**	**0.6**

As regards the year's performance for administrative expenses, it is noted that:

- **personnel expenses** decreased 0.8% compared with 2015. This drop is attributable to the conferral of the workout business segment to BPI, comprising 9 resources, since May 2015;
- **other administrative expenses** increased by 1.7% on 2015 essentially as a result of the increase in IT costs and legal fees.

Other income components

The **net value adjustments on tangible and intangible assets** were EUR 2.82 million, posting an increase of 3.4% compared with the EUR 2.72 million in 2015. Of these, EUR 1.23 million (EUR 1.27 million in 2015) refers to tangible assets and EUR 1.59 million (EUR 1.45 million in 2015) to intangible assets.

The **net provisions for risks and charges** were equal to a cost of EUR 3.9 million, compared with EUR 1.5 million in 2015, recording an increase of EUR 2.4 million. The provisions mainly regard pending court cases or disputes.

In light of the above, the **net operating income** and the **profit (loss) from current operations before taxes** disclosed a profit of EUR 62 million, in line with the 2015 profit.

After income taxes, the **profit for the year** came out to EUR 45.2 million (EUR 44.5 million in 2015, - 1.5%).

(in milions of €)

	31/12/2016	31/12/2015	% change
Net operation income	**62.0**	**62.3**	**-0.4**
Income taxes for the year on current operations	-16.8	-17.8	-5.3
Profit from current operations net of taxation	**45.2**	**44.5**	**1.5**
Profit for the year	**45.2**	**44.5**	**1.5**

Balance sheet items

Loans and receivables

(in milions of €)

	31/12/2016	31/12/2015	% change
Due from customers	**7,539.1**	**6,372.0**	**18.3**
- Factoring	7,539.1	6,372.0	18.3
Due from banks	**14.4**	**7.4**	**0.0**
Loans and receivables	**7,553.5**	**6,379.4**	**18.4**

Loans and receivables, net of value adjustments, totalled EUR 7,554 million, compared with EUR 6,379 million in the previous year, therefore with an increase of 18.4%.
This item, according to the IAS/IFRS international accounting standards, includes loans and receivables purchased without recourse, advances issued with recourse and for receivables acquired without recourse which have not transferred all the risks and benefits, and loans to debtors granted for conceded payment extensions.

Credit quality

2016 saw a decrease in impaired loans and receivables passing from EUR 673 million in 2015 (EUR 390 million net; 6.2% of total loans) to EUR 566 million in 2016 (EUR 277 million net; 3.7% of total loans).

(in milions of €)

	Gross exposure	Value adjustments	Net exposure	% hedging	% incidence on due from customers
31/12/16					
Non-performing loans	289.9	201.6	88.3	69.6	1.2
Problem loans	236.1	85.4	150.7	36.2	2.0
Restructured receivables	40.4	2.4	38.0	6.0	0.5
Total impaired receivables	**566.4**	**289.4**	**277.0**	**51.1**	**3.7**
31/12/15					
Non-performing loans	265.8	175.2	90.6	65.9	1.4
Problem loans	333.3	105.3	228.0	31.6	3.6
Restructured receivables	74.1	2.8	71.4	3.8	1.1
Total impaired receivables	**673.3**	**283.3**	**390.0**	**42.1**	**6.2**

The total of **impaired receivables,** net of value adjustments, amounts to EUR 277 million (390 million in 2015) with a comprehensive hedging of 51.1% (42.1% in 2015). These receivables particularly concern:

- **non-performing loans**, amounting to EUR 290 million (EUR 266 million in 2015) which, covered to an extent of around 69.6% (65.9% in 2015), disclose a net value of EUR 88.3 million (EUR 90.6 million in 2015);

- **unlikely to pay**, totalling EUR 236 million (EUR 333 million in 2015) which, net of the related hedges of 36.2% (31.6% in 2015) disclose a net value of EUR 151 million. This category includes the unlikely to pay, subject to postponement and not subject thereto.

- **past due receivables** amount to EUR 40.4 million (EUR 74.1 million in 2015). This category includes exposures continuously overdue for over 90 days (receivables from central authorities, central banks and local authorities) or 180 days (receivables from government agencies) whose total amount is at least 5 percent of the entire exposure to said debtor. The scope of observation excludes exposures to the Tax Authorities deriving from tax receivable transfers (VAT, IRPEG, etc.); these loans and receivables have undefined maturity, as there is a minimum time before which they cannot be liquidated but not a maximum term by which they must be paid.

Liability provisions

(in milions of €)

	31/12/2016	31/12/2015	% change
Provision for employees termination benefits	4.9	5.2	-6.0
Provision for risks and charges	12.7	12.8	-0.9
b) other provisions	12.7	12.8	-0.9
Total	**17.6**	**18.1**	**-2.4**

As at 31 December 2016, **liability provisions** were EUR 17.6 million (- 2.4% compared with EUR 18.1 million in 2015) and represent the allocations needed to face future outlays deemed likely with respect to outstanding events.

The **provision for employee termination benefits** refers, for each employee, to obligations of defined benefits regarding work done until the date that the "accruing" employee termination benefits are transferred to INPS or to external retirement benefits as set forth by the 2007 budget act. The liability is posted using the actuarial method considering the probable future date on which the effective financial outlay shall take place. As at 31 December 2016, the provision was EUR 4.9 million (EUR 5.2 million at the end of 2015).

The **other provisions,** equalling EUR 12.7 million, include:

➢ *provision for legal disputes*, of EUR 11.31 million (10.61 million at the end of 2015) for allocations against revocations and legal proceedings;
➢ *personnel expenses*, equalling EUR 1.41 million (2.22 million at the end of 2015), mainly due to the length of service bonus and the employee incentive plan. The reduction compared to 2015 is substantially attributable to the use of the redundancy provision allocated in previous years.

Equity items

Equity as at 31 December 2016 amounted to EUR 666.1 million (EUR 621.1 million in 2015), up by 7.2% due to the following changes:

Equity as at 31 December 2015		**621.11**
2016 changes:		
-	net profit as at 31 December 2015	45.21
-	change in other reserves	
-	change in valuation reserve	-0.24
Equity as at 31 December 2016		**666.08**

With regard to the situation relating to the capital adequacy of Ifitalia as at 31 December 2016, Ifitalia closed with **Total own funds** of **EUR 611.6 million,** up EUR 2.4 million, in the presence of total capital requirements of EUR 460.2 million with a capital surplus of EUR 151.4 million. The TIER 1 came to 7.97% and the Total capital ratio was 7.98%.
Own Funds as at 31 December 2016 do not include the profit (loss) for the year 2016, which will be capitalised following approval of the financial statements by the Board of Directors and the Shareholders' Meeting.

A summary of the figures relating to the capital adequacy follows:

	2016	**2015**	**% change**
Tier 1 capital	610.8	603.8	1.2
Tier 2 capital	0.0	5.9	(100.0)
Elements to be deducted of T2	0.0	(0.5)	(100.0)
Transitional regime - impact of T2 (+/-)	0.7	0.0	0.0
Total Capital	**611.5**	**609.1**	**0.4**
Risk Weighted Assets (*)	**7,666.6**	**6,559.8**	**16.9**
Total prudential requirements	**460.2**	**399.4**	**15.2**
Capital excess	**151.4**	**209.8**	**(27.8)**
Tier 1 capital ratio	7.97%	9.20%	(13.4)
Total capital ratio	7.98%	9.29%	(14.2)

(*) As from 2008, the above-mentioned aggregates have been calculated according to Basel III

Infra-group transactions and those with "related parties"

Relations with the parent company and other companies belonging to the BNL-BNPP group, included in what is set forth pursuant to Art. 2497 and following of the Italian Civil Code, include both financial and commercial relations.

The borrowing transactions with the Parent Company, regulated at market conditions, are represented by almost all amounts owed to banks.

With regard to the operating transactions with the BNPP group companies, made up mainly of service agreements for providing IT services (mainframe use and use of data networks) and company vehicle hire, costs were incurred for EUR 4,778 thousand.
Furthermore, with regard to the services provided by the consortium company Business Partner Italia ScpA within the sphere of the support services relating to facility management, HR management, procurement and operations, for 2016 the cost came to EUR 6,511 thousand (EUR 6,694 thousand in 2015).

Expenses/profits were also sustained for staff seconded respectively from or to other Group companies for an annual total of EUR 2,178 thousand in 2016.

In 2016 income from rents receivable was also recorded of EUR 769 thousand.

With regard to the activities relating to handling of the general accounts, the preparation of the financial and tax reporting, the handling of the accounts audits, Ifitalia avails itself of outside servicing provided by BNL Spa for a total cost, for 2016, of EUR 571 thousand.

The company furthermore makes use of an internal audit service offered by the BNL Parent Company, based on the BNP Paribas guidance regarding Internal Control Systems. The total costs sustained were EUR 283 thousand.
In 2016, coordination expenses were also borne for the factoring activity at the group level carried out by the "Global Factoring Competence Centre" for EUR 506 thousand.

Furthermore, for providing commercial services, Ifitalia made use of the collaboration of the BNL/BNPP branches to which it paid commercial commission charges of about EUR 2,700 thousand total.

With regard to the loans granted against factoring activity, it is specified that Ifitalia receives, disinvests, and provides guarantees regarding the BNL Parent Company and some BNL-BNPP Group companies.
All the transactions between the Bank and related parties are carried out at market conditions.

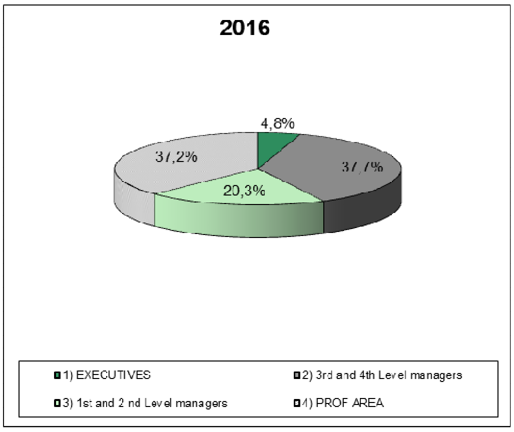
The summary of equity and economic relations for 2016 with the parent company and other companies belonging to the BNL-BNPP Group originating from financial or commercial relations are indicated on page 130 of the Notes to the Accounts.

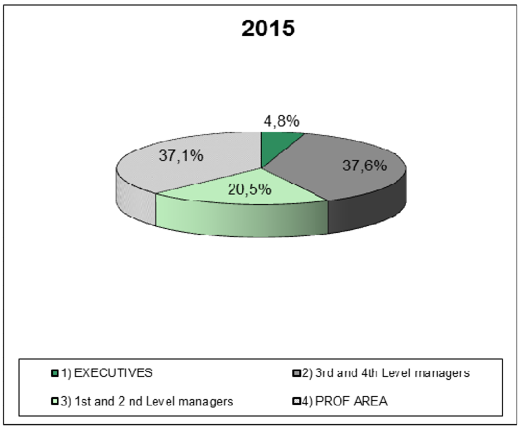
Human resources

The personnel as at 31 December 2016 (middle managers and employees) - came to 231 (229 as at 31 December 2015), broken down as in the tables below:

Distribution by grading

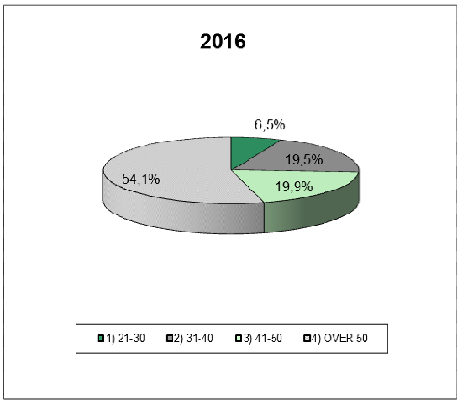
Category	31/12/2016	31/12/2015	2016 in %	2015 in %
1) EXECUTIVES	11	11	4.8%	4.8%
2) 3rd and 4th Level managers	87	86	37.7%	37.6%
3) 1st and 2 nd Level managers	47	47	20.3%	20.5%
4) PROF AREA	86	85	37.2%	37.1%
Total	**231**	**229**	**100%**	100%

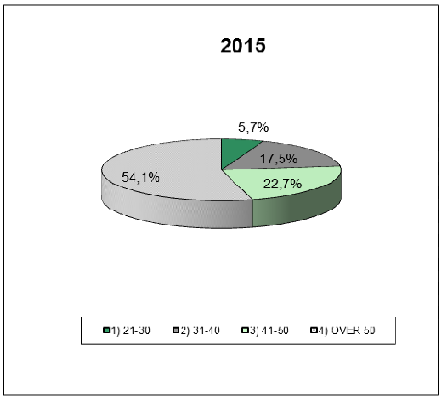




Distribution by age

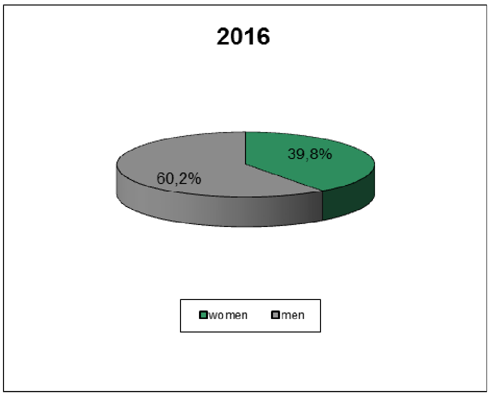
Age group	31/12/2016	31/12/2015	2016 in %	2015 in %
1) 21-30	15	13	6.5%	5.7%
2) 31-40	45	40	19.5%	17.5%
3) 41-50	46	52	19.9%	22.7%
4) OVER 50	125	124	54.1%	54.1%
Total	**231**	**229**	**100%**	100%

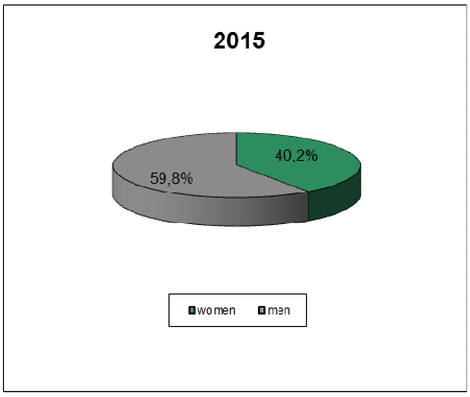




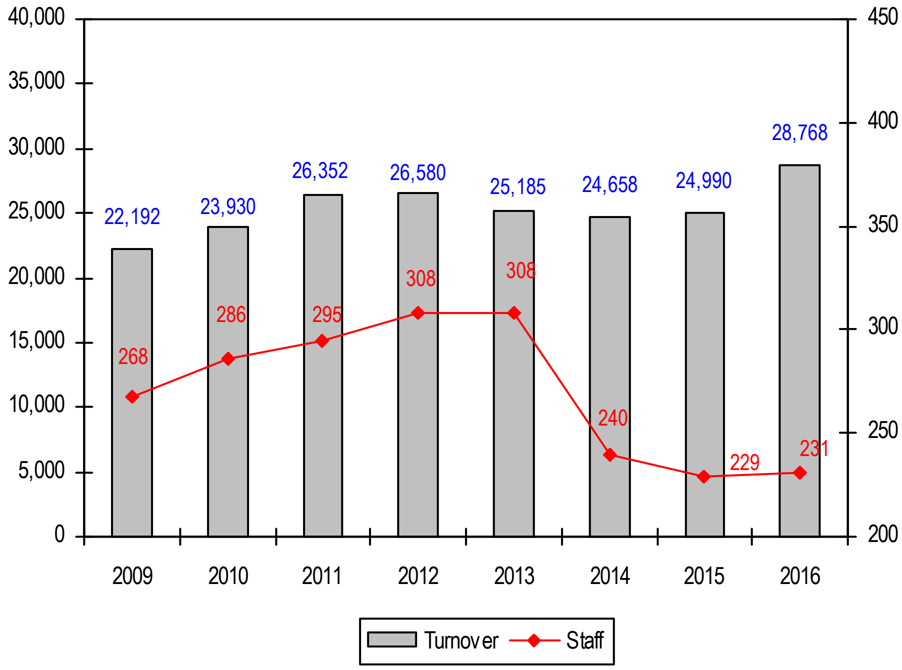
Distribution by gender

Category	31/12/2016	31/12/2015	2016 in %	2015 in %
women	92	92	39.8%	40.2%
men	139	137	60.2%	59.8%
Total	**231**	**229**	**100.0%**	100%

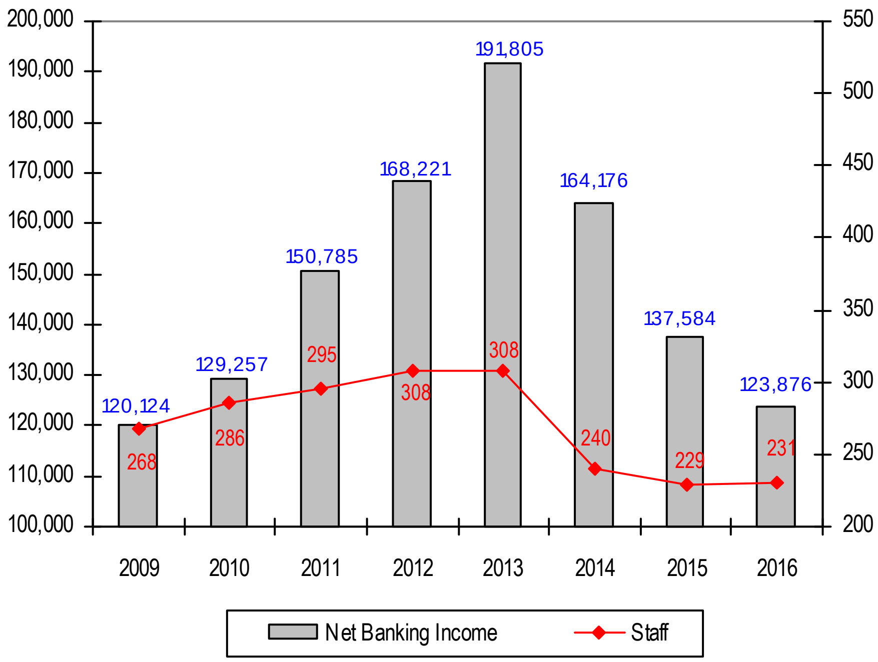




The chart presented below shows the trend in turnover and the number of resources in the period 2010 – 2016:



The chart presented below shows the trend in the earnings margin and the number of resources at the end of the period from 2010 to 2016:



Management Policies and Human Resources Development

The management instruments and logics adopted in 2015 are confirmed for 2016.

Dialogue - Individuals and Performance - remains the guiding instrument for the assignment of objectives and the assessment of results and conduct. This contributes to supporting the individual Development Plan, a training catalogue that was completely renewed on the previous year, focusing on the topics of innovation, digitalisation and widespread leadership.
The catalogue comprises more than 200 titles, classroom or remote, and includes technical, conduct-related and legislative training.

Mobility, as a development opportunity, within the company and the BNP Paribas Group is confirmed as a value.
Besides mobility within the company, around 14 transfers from and to other BNP Paribas companies in Italy were carried out during the year.

In 2016 two particularly innovative training projects were realised: one targeted to young employees, regarding creativity and thinking outside the box, and the other dedicated to all positions of coordination of Ifitalia.

Remuneration policies

The remuneration instruments adopted in 2016 with regard to personnel were articulated into changes to the fixed component of remuneration (promotion and managerial pay) and to the variable component (bonuses, incentive plans, company bonuses), in line with the standards and guidelines defined.

Training

With a view to continuous evaluation and growth of the Company's human resources, during 2016 training activities continued to be invested in.
The training hours provided overall in 2015 came to around 7,500, equal to approximately 32 hours per capita, 68% of which were classroom based and the remaining 32% in E-learning mode.
With reference to the topics involved, 14% were of a technical-specialist nature, 38% legislative-related and 48% behavioural and linguistic.

Net of legislative-related training, addressed to 100% of personnel, coverage reached came to 76% of total employees.

Selection and Employer Branding

In 2016, the company continued to consolidate its image on the labour market and particularly towards young graduates through the popular Recruiting Day initiative.
Among the Employer Branding initiatives, mention is made of Ifitalia's participation, in collaboration with other BNP Paribas entities in Italy, in the Campus Management and the Ambassador Programme: initiatives intended for Universities and aimed at furthering the image of the company within Italian universities.
Again in 2015, further editions of the Talent Days were held, career guidance days which the BNP Paribas Group dedicates to graduate / university student offspring of colleagues so as to prepare themselves as best as possible and in a more informed manner for seeking work.
During the year, 16 recruits were also taken on.

OTHER INFORMATION

Organisational structure

In 2016 the main change in the Company's organisational structure involved the outsourcing of the Compliance Function to BNL, starting on 1 October 2016.

The new organisational structure resulted in the elimination of the Compliance and Operational Risks Division and the concurrent creation of the Operational Risks and Permanent Controls structure, on the staff of the General Manager, which was assigned all the responsibilities and activities that did were not transferred to the BNL Compliance Division, to which the activities were outsourced.

Furthermore, in February 2017 the Company's Sales Network was reorganised in order to ensure increased proximity to customers in local areas and quicker time to action, in line with BNL's operations.

This reorganisation resulted in:

- the creation of 7 Regional Head Offices, mirroring those of BNL,
- 2 Teams specialising in general management
  - *Business Development Team: Head of Coverage and Origination on customers in the CIB and Large Contributors segments;*
  - *Export and Multilocal Team: for in&out cross-border operations;*
- A dedicated point of contact for government authorities.

Management and coordination of Parent Company activities

The company is subject to the management and coordination of BNP Paribas activities.
The company has a traditional Governance and Control system that comprises the Shareholders' Meeting, Board of Directors, General Manager and Board of Statutory Auditors.

Treasury or parent company shares in the portfolio

The Company does not hold any treasury or parent company shares.

Supervisory review process

The enforcement of Circular No. 288 "Regulatory provisions for financial intermediaries" dated 3 April 2015 repealed Circular No. 216 and led to a harmonisation with the Banking Supervision rules and with the European legislation disciplined by Regulation (EU) No. 575/2013 (co-called CRR) and Directive 2013/36/EU (so-called CRD IV).

As illustrated in Circular No. 228, the Supervisory Review Process (SRP) is divided up into two integrated phases. The first is represented by the internal process for determination of the capital adequacy (Internal Capital Adequacy Assessment Process - ICAAP) and refers to the intermediaries, which carry out an independent assessment of their capital adequacy, current and forecast, in relation to the risks undertaken and the business strategies. The second involves the Supervisory Review and Evaluation Process (SREP) and is the responsibility of the regulatory authority, which, also via the review of the ICAAP, formulates an overall opinion on the intermediary and activates, if necessary, corrective measures.

In line with the matters laid down by the Legislation, Ifitalia prepared the ICAAP document with reference to 31 December 2015.

Business targets and policies regarding the handling of risks and the related hedging policies

All of the information concerning the policies for the handling of the risks and the related hedging policies has been dealt with in Part D: Other Information - Section 3 of the Notes to the accounts.

The internal control system in relation to the financial disclosure process (Article 123-bis, Paragraph 2 b of the Consolidated Finance Act (TUF))

Article 123-bis of Legislative Decree No. 58 of 24 February 1998, (Consolidated Finance Act or TUF), with the amendments and additions introduced by Article 5 of Legislative Decree No. 173 of 3 November 2008, introduced under Paragraph 2, Letter b, the obligation to describe the main characteristics of existing risk management and internal control systems in relation to the financial disclosure process.
The purpose of the internal accounting control system is to verify the completeness and correctness of accounting records, to prevent and locate any errors as well as the quality of the data to be used to prepare the financial statements, to produce supervisory reports and all other accounting and financial disclosure. The system complies with the standards set by the Parent Company BNP Paribas.
The methodological approach is based on ascertaining the existence of suitable governance systems, standards of conduct inspired to corporate ethics and integrity, disciplinary systems for the personnel, suitable organisational structures, a clear structure of delegations and responsibilities, effective codes of conduct and fraud prevention systems. It is consistent with the standards envisaged by the Parent Company BNP Paribas and it was implemented with the preparation of appropriate internal procedures, for an effective and efficient monitoring of accounting risks and financial disclosure.

Accounting risk monitoring is included in the broader context of permanent control, based on the continuous monitoring of risk identification and assessment, of procedures and controls.

Checks reflect the current definition prescribed in the company’s internal control system. Checks are classified as “first level” (carried out by operating personnel and hierarchical managers) and “second level” (carried out by the specialised departments). The periodic auditing of the system is carried out by the Group Inspection Générale Department (third level check).

In assessing the accounting internal control system, special attention was devoted to verifying the adequacy and actual application of the accounting and administrative procedures as well as the rules of correct management of the technological infrastructure, applications and operating systems. Analyses were conducted with the specific methodologies, monitored through the Finance Division. Monitoring the accounting and financial reporting quality focuses on examining the organisational settings and the functionality of the internal controls, through a test plan that continuously assesses the adequacy and actual application of the accounting and administrative procedures that play a role in preparing the accounting documents and any other financial communication.
The quality of the accounting reporting and the effectiveness of the related internal control system are formalised by issuing a Group Certificate every three months.

Business Continuity

Ifitalia has defined **Business Continuty** system to guarantee the continuity of the company's critical services.
In line with regulatory and BNP Paribas Group provisions, Ifitalia's **Business Continuity Management** system is comprised of:

- **a Governance organisation** to govern crisis scenarios;
- **a Business Continuity Plan** (BCP) for the operating management of crisis scenarios.

Ifitalia has included in its Corporate Regulations specific references to the responsibilities pertaining to the process of implementation, maintenance and governance of Business Continuity.

Particularly:

- A **Business Continuity Manager,** in charge of preparing and maintaining the Business Continuity system;
- **Corporate Functions,** which contribute to finding, sharing and validating the information required to guarantee the effectiveness and efficiency of the continuity solutions established in the BCP;
- **Crisis Committee,** which guarantees the management of particularly serious crisis situations which require immediate co-ordination to define continuity solutions;
- **Risk Monitoring Committee:** Supports the Business Continuity Manager in the recognition, sharing and validation of the information and the initiatives aimed at the maintenance of the Business Continuity solutions.

Ifitalia's Business Continuity Plan is developed over a period comprising a timeframe of **3 weeks** starting from the occurrence of the crisis event. In this reference timeframe, the goal is to guarantee the continuity of the services indicated as indispensible for the survival of the Business.

In order to guarantee the quick implementation of the business continuity plans, Ifitalia has identified 48 resources who are assigned the responsibility, under the BCP, to reactivate the critical processes in emergency situations. These resources are part of the Critical Emergency Teams. The team is composed of about 20% of total resources.
In 2016 Business Continuity (BC) actions in Ifitalia were carried out in compliance with the main activities planned, which regarded:

- the updating of the company BCP;
- the handling of the "key" suppliers mapped for BC purposes;
- presence of suitable contractual clauses for BC purposes;
- acquisition of operating continuity plans (BCP) of the supplier;
- acquisition of the results of the related audit tests;
- the review of the plan of the permanent controls on a consistent basis with the new Generic Control Plan issued by the Parent Company on 1 October 2014;
- execution of the operating continuity simulation TESTS;
- the reporting – BC Monitor;
- provision of the training modules in the BC;
- up-date of the Disaster Recovery Plan (DRP).

Financial Security – Anti-money Laundering, Terrorism Funding Prevention, Economic and Financial Sanctions and Embargoes Unit

In 2016 the Compliance Division continued developing the actions set out int he specific Plan, as part of the **Factoring Roosevelt Project** – whose objective is the alignment of the Factoring companies with the Group rules, as well as simplifying and ensuring the full availability of the procedure and control system regarding anti-money laundering and prevention of sanctions and embargoes – complying with the planned timeframes.
As a result, the Financial Security system was updated, introducing specific procedures also regarding arms and transactions in dollars. Specifically, with regard to the clarifications concerning arms provided by the communication of the Ministry of the Economy and Finance "DT 58988" of 22 July 2015, for prudential purposes and pending the

definitional of the organisational process aimed at setting up the necessary controls on the matter, which are now also applicable to factoring, the Company imposed an operational block, informing the Company's operating and business structures of such block, in order to guarantee risk prevention.
With specific regard to the last quarter, the following activities are noted in relation to operating processes:

- Filtering of flows - 2 transactions with Russian counterparties as well as 1 transaction in USD were subject to analysis and subsequent authorisation
- Know Your Customer - around 61 positions (onboarding and recertification) were also subject to KYC. Additional activities in the assistance/advisory area on the Know Your Customer process were also conducted (around 600, among checks, opinions and consultancy, etc.).

Moreover, as regards the Control Plan in force, the coverage of said plan in relation to the Generic Control Plan of the Parent Company was analysed, finding that the Control Plan almost fully complies therewith, though with a non-homogenous control architecture. During the 1st quarter of 2017, the alignment of that architecture is expected.
During the year, the Division also guaranteed that all the recommendations formalised by the Audit Function – Inspection Générale Hub Italy – were implemented, as a result of the inspection conducted in the previous year, and drew up the annual risk-assessment managed by the Group.

Protecting Customers' interests

During 2016, with reference to the Protection of Customers' Interests, the Company achieved important action for strengthening the dedicated systems and the related control processes.
In particular, as regards **transparency of banking and financial operations**, the Compliance Division launched a complete assessment aimed at verifying the compliance of the transparency documentation made available by Ifitalia – pre-contract transparency documents regarding products/services offered (guides and information sheets), contractual documentation (for aspects regarding the "floor clause" and the structure of the document), internal procedures (second level checks, website) – whose evidence resulted in the formalisation of an Action Plan to close the gaps found.
In continuity with that carried out in previous half-years, as part of **usury oversight**, the actions aimed at completing the IT procedures and first and second level controls continued also in 2016.
In terms of methodology, following the dialogue between the trade association Assifact and the Bank of Italy, the sector is now awaiting the revision of the methods for calculating the TEG (Effective Global Rate), as agreed with the Supervisory Authority. In particular, clarifications are expected regarding the inclusion in/exclusion from the TEG of the charges typical of factoring transactions, and in regard to the possible use of the "internal credit line" for several categories of transactions, as the value of the denominator in the TEG formula.
The latter point, which is crucial to the sector, is highly anticipated by Factors due to the simplification that will be achieved in the method of calculating the TEG and the resulting optimisation of internal oversight.
Furthermore, as regards **anatocism**, 2016 was characterised by the amendment to Article 120 of the consolidation act of the banking and lending laws (TUB). This regulatory measure sanctioned the applicability of said regulation by the factoring sector (save for several sections), as clarified by the trade association Assifact.
CICR (Interdepartmental Committee for Credit and Savings) Resolution of 3 August 2016, which was assigned the duty to establish the application methods and criteria of Article 120 of the TUB, reiterated that a third-party account, used in factoring, could not be attributed to a bank account. As a result, and in order to implement the measures necessary to align with regulations, the Company launched and concluded a project mainly aimed at opening a new type of non-interest bearing "interest account", on which to charge debtor interest and expenses accrued after 1 October 2016.
Starting on 1 October 2016, the effective date of the outsourcing agreement for the "Compliance Function" from Ifitalia to BNL, interdisciplinary meetings were held, involving representatives of Ifitalia on one side and representatives of the specialist function "Protection of Customers' Interests - PIC" of the "BNL Compliance Division". Following these meetings, the second level PSF controls were identified which - included in the "Group Generic Control Plan regarding PIC" - were applicable to the specific characteristics of Ifitalia's business.
Downstream of those examinations, within Ifitalia's body of regulations, the schedules regarding the related controls were defined and formalised ("Organisation of the PIC", "Disclosure to Customers", "Compliance of the Commercial

Incentive System", "Customer Complaint Management" "Control on the Training Process on PIC Issues", "Checking the Validation Process of Non-Standard Products", "Control of the Application of Group PIC Policies and Procedures").

Market Integrity & Professional Ethics

During 2016, the main regulatory changes included the entry into force of EU Regulation no. 596/2014 on market abuse. These regulations strengthened the structure of procedures and control on market abuse, requiring that Ifitalia revise the framework adopted – though with limited impacts – to guarantee compliance with the new provisions of regulation and self-regulation.
With regard to issues of Market Integrity & Professional Ethics, note that during 2016 the Company's internal body of regulations was updated in order to align it with the Group's procedural structure. These activities concerned processes of both Professional Ethics and Market Integrity.
With specific regard to issues of **professional ethics**, the following regulations were issued/updated:

- the new *Code of Conduct of the BNP Paribas Group*, which defines the rules that must guide all actions and decisions of collaborators, in line with the Gruop's Fundamental Values. The new Code of Conduct represents the "constitutional charter" of the entire system of internal regulations, and was the subject of specific online training which all collaborators took advantage of.
- The *Policy on Correct Use of Social Media*, which aims to define the set of fundamental principles and specific rules that must guide the conduct of each collaborator in using Social Media, for both personal and professional reasons.
- The *Policy on Reputation Risk*, which aims to define the organisation and references necessary to identify, assess and manage Reputation Risk in the activities carried out by the entities that are part of the BNP Paribas Group.

With regard to issues concerning **market integrity**, in 2016, also as a result of the entry into force of the above-mentioned EU Regulation no. 596/2014, specific analyses were conducted to identify the presence of potential risks of market abuse and conflicts of interest. Even though Ifitalia does not offer investment services, as a result of the analyses conducted, the Compliance Function decided to formalise the *General Policy on Market Integrity* within the Company, faced with potential risks of abuse of privileged information that the Company could incur as a result of transactions executed for its corporate customers. This policy sets out an underlying framework of reference for the issue, which shall be accompanied by more specific regulations to which the policy refers in order to outline operating measures. In that regard, it was also decided to introduce specific Group regulations governing the conduct of collaborators when accessing privileged information and the methods of circulation thereof, known as the Information Flow Policy.
As regards Market Integrity & Professional Ethics, ongoing **consultancy** was guaranteed to support Ifitalia's Structures/Divisions, and the necessary contributions were provided in the Committees tasked with validating the Company's new measures.
During 2016 the Compliance Function guaranteed the usual **second level oversight** of "ethics" risks, as envisaged by the "Global Control Plan Professional Ethics" issued by the Company. Moreover, with regard to the **ethics alert system**, permanent monitoring of the overall regulatory plan adopted by the Parent Company was guaranteed.
Additional control regarding the **supervision of gifts and invitations** received/provided by collaborators, while, concerning **conflicts of interest** between collaborators and customers and/or collaborators and the Company, during the year there were no critical issues regarding any non-compliance conduct by collaborators.
Lastly, during the year the Company was subject to a specific Compliance Risk Assessment drawn up by the Group. With regard to both the issue of Market Integrity and that of Professional Ethics, the results of that periodic exercise showed, in relation to Inherent Risk and the Control Environment, a "low" Residual Risk.
Lastly, during 2016 no **incidents** occurred pertaining to the issues of market integrity or professional ethics.

Advisory & Complementary topics

Administrative liability of companies per Italian Legislative Decree No. 231/2001

In 2016 the updating of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 was concluded, and all the related documentation was formalised (General Section, Special Sections, mapping of relevant crimes and periodic reporting to the Supervisory Body).

The new Model:

- implements the amendments introduced by Italian Legislative Decree No. 231/01 - self-money laundering offence (introduced by means of Italian Law No. 186 dated 15 December 2014, in force as from 1 January 2015), crimes against the environment and the offence of false corporate communications (Italian Law No. 68 dated 22 May 2015 and Italian Law No. 69 dated 27 May 2015);
- introduces for Ifitalia the predicate offence "*Crimes against industry and commerce*";
- ratifies the organisational changes consequent to the transfer to Business Partner Italia Scpa (October 2014), of the "*procurement*", "*operation*", "*HR administrative*" and "*facility*" activities and the *Debt Collection - Workout activities* (May 2015).

Data Protection

In the last quarter of 2016, with regard to Data Protection issues and in compliance with the new centralised service model of compliance, support was continuously provided, specifically regarding:

- review of documentation for Ifitalia new hires: initiative launched by the Company in relation to the review of the hiring process, to increase the efficiency of the various phases and rationalise the documentation provided to new hires. In that context, the first assessments concerning forms (Disclosure and Consent) delivered to new hires were conducted, placing the conclusive review of all forms within the overall review of the system of internal regulations;

purchase from Experian of the DG3R score, an algorithm that calculates scores/estimates of internal acceptance and performance models. In that context, Ifitalia considered the obligation to provide Disclosure to its customers, in line with the Company's role as "Data Controller" to be of significant importance.

Organisational measures

New Compliance Operational Model

In 2016 the new Compliance Operational Model based on outsourcing the Compliance and Anti-Money Laundering Functions to the Compliance Division of BNL was implemented.
The project, presented and approved at the meetings of 15 December 2015 and 27 July 2016, took effect on 1 October 2016 with the signing of the outsourcing agreement by the parties.
The new structure thus became fully operational in the fourth quarter of 2016: the responsibilities of the Compliance Function and the Anti-Money Laundering Function were respectively transferred to the BNL Compliance Division and the Head of Financial Security of BNL. A Senior Point of Contact, a position required by the outsourcing agreement, in the same Division, as also identified, dedicated to facilitating the correct, timely provision of services in relation to the specific characteristics of the Company's service model.
In line with the indications provided by the Bank of Italy regarding the necessary profile and requirements, Mario Girotti, as Chairman of the Company's Board of Directors, was identified as the Point of Contact for the Outsourced Service.
Following the adoption of the new Model and the related outsourcing of the Compliance Function to BNL, it was necessary to make a change in the organisational structure, which resulted in the transfer of the handling of complaints to the Company's Permanent Controls and Operational Risks Division, which reports to the General Manager.

Research & Development activities

The following projects were implemented in **2016** relating to the development of IT procedures:

1. *Adjustment of IT Governance procedures* (Armonia, Financial Mng) following the introduction of new Group policies and controls
2. *On-line Credit Facility Procedure.* Automatic implementation of the On-line Credit Facility Procedure, of the process of assessment/granting/review of credit facilities to transferors and debtors.

   Adjustment of the processes of assessment of the credit facility procedure based on the requirements of Basel 2.

   Implementation of a single interface for the credit facility procedure for the transferor and debtor for the purpose of a more accurate assessment which takes account of the global overview of the customer.
3. *Basel 2:* In the first half of 2016:

   a) Following the approval of the Governance of the Internal Rating System by the Board of Directors, systematic adoption of the Group and BNL rating models for assessing the Corporate segment since March 2016;

   In the second half of 2016:

   b) Refreshing of risk parameters on certified databases;

   c) Implementation of the Group target architecture Filière Unique for calculating RWA (standard approach);

   d) Completion of the Model Validation activities for PD, LGD and Dilution.
4. *Data logging on FIS:* Realisation of logging procedures for obsolete data in the main tables of the company's core system.
5. *Mediana Re-engineering:* Technological porting due to obsolescence of system software (no longer supported by the provider); implementation of reverse factoring and multilocal commercial products. Review of the security module for managing users and profiles, in line with the new company policies.
6. *WTO credit risk insurance:* Realisation of functions to enable the handling of several policies at once (SPOT and WTO with possible appendices).
7. *Debtor Management (GDEB):* Implementation of new functions that increase the efficiency of the customer monitoring processes.
8. *Conformity Milan Project:* the project falls within a more extensive project "Conformity BNL/BP2I", launched in 2015 and concluded in 2016, regarding the adaptation of system software in the Milan server farm (which the provider has declared as "obsolete") to the latest version indicated in the Group policies with the services/applications provided in the Paris server farm.
9. *Technological refresh of ITD workstations:* technological refresh of the workstations used by personnel in the IT Division due to hardware obsolescence. Concurrent distribution also within the ITD of virtual machines and activation of remote connections (VPN s2s and c2c) for IT providers.
10. *Trouble ticketing:* introduction of the Group trouble ticketing system to enable the process of managing infragroup tickets.
11. *New Accounting/Management statuses and management of Forborne positions:* the new statuses were introduced into the management system (with transversal impact), based on BNL regulations. Furthermore, the system for managing forborne positions was implemented, to identify positions subject to additional risk measures.
12. *New type of currency accounts:* the system was implemented (with transversal impact) to manage new types of currency management accounts that simplify the process of financing customers.

13. *Management of default interest purs. to Legislative Decree 231 management system (performing debtors):* the management system was set up to calculate and automatically invoice the default interest pursuant to Legislative Decree 231 on performing government authorities. All the application processes were revised to manage the new type of ledger, which was previously recorded on collection.
14. *Management of shared customers (First phase, flow of file information):* at the end of 2016 the automatic process of transmission of file information for customers shared with BNL was set up (the activities will be concluded in 2017 with the management of risk data).
15. *SME Market - credit limit acceptance automatism:* the processes for automatic management of assessment/acceptance of the debtor credit lines were set up (the activities will be completed in 2017 with the management of automatic renewals/denials).
16. *Data logging of ledgers and archived credit facilities:* the process was implemented to manage the data logging for new types of products.

The reporting process

With regard to financial statements activities, Ifitalia defines the Group's accounting standards in accordance with the indications issued by the parent company BNP Paribas.
During 2013, a contract was entered into between Ifitalia and BNL which disciplines the supply by BNL of services for the production of accounts, financial and supervisory reporting, as well as the respective responsibilities and roles, all with an applicable date as from 1 January 2014.
In greater detail, attachment A to said contract analytically identified the activities provided which are summarised below:

- financial reporting and related financial statement disclosure fulfilments, both local and group (including direct tax fulfilments);
- handling of accounts audits and internal certification, monitoring of the flows, up-dates of the accounting schedules;
- Supervisory Reporting (Statistical, Prudent and Usury Supervision).

A requirement for the outsourcing care of BNL S.p.A. of said activities in the accounting sphere is the synergy of the IT-accounting infrastructures implemented (OFS Platform).
It is hereby specified, however, that almost all the accounts are produced and checked in Ifitalia, in which the scopes of accounting responsibility have been re-defined according to the Group method.

Consistency in the representation of the accounting data and financial information in accounting situations is assured by the use, by all Group companies, of a single plan of accounts residing in the same IT consolidation procedure, managed, updated and maintained by BNP Paribas.
Ifitalia's Financial Division, to prepare the specified accounting situations, implements specific instructions by BNP Paribas for the preparation, approval and forwarding of the packages prescribed for this purpose.

Securitisation transaction

In December 2016 a transaction was launched, structured by BNPP CIB of Milan.
The securitisation programme has a duration of 5 years, with a renewable commitment year-by-year, and is conducted on a revolving basis.
For the details of this transaction, refer to page 98 of the Notes to the accounts.

Significant events after year end

No significant events occurred after year end.

Business outlook

During 2016, average factoring loans grew with respect to the previous year by 3.9%. This growth was more due to a few large individual transactions with top customers rather than generally divided among the entire range of businesses. This all bears witness to the difficulty in the development of the credit at system level, also and especially due to the elevated liquidity present on the market which large groups with high standing benefit from above all else and vis-à-vis whom Ifitalia's activities are in part unbalanced.
In this market situation, fierce competition persists at pricing level, whose decrease involved both factoring commissions and financial margins, also in 2016.
With regard therefore to Ifitalia, the maintenance/growth of the net banking income will still depend on its ability to increase the lending and turnover volumes raising its market share.
Besides the usual synergic action between the Ifitalia network and the BNL sales network, the commercial strategy for increasing the current business volume will concentrate on a greater development of the without recourse activities with government authority debtors and a greater development of the SME Corporate and Retail segment customers; while on the product front, those with greater growth potential and on which Ifitalia will mainly focus its commercial endeavours are: the reverse factoring via the financing of the liability cycle of Major debtors, and International factoring also by means of synergic action with the other factoring companies of the BNPP Group.
With regard to operating costs, a careful management will continue to be maintained on the same for the purpose of maintaining the current level without what is more precluding the investments associated with the development of new relations, the organisational development and the regulatory impacts.
The minor incoming levels of impaired positions which occurred in 2016 and continued in the first few months of 2017, provide hope for the solid possibility of an additional reduction in the cost at risk for 2017 which should contribute to safeguarding the overall economic result.

Shareholders,

The financial statements which we submit for your attention closed with net profit of EUR 45,213,901.

We propose that you approve the financial statements in their entirety, as presented to you, as well as allocate the profit for the year as follows:

to the Statutory reserve EUR 45,213,901

The statutory reserve shall, therefore, change in this way:

Statutory reserve

Opening balance	**471,723,063**
Profit for 2016	45,213,901
Closing balance	**516,936,964**

We would like to thank you for the confidence placed in us and for the support provided during the year; we would also like to thank the Board of Statutory Auditors for the support given to the Company during the year. In conclusion, particular thanks go to all the staff for the dedication, the acknowledged commitment and the precious work carried out for achieving the objectives of the Company, as well as, to the Parent Company BNP Paribas S.A. for the collaboration and assistance provided.

Milan, Italy, 22 March 2017

The Board of Directors

Statutory Financial Statements

MANDATORY FINANCIAL STATEMENTS

Balance Sheet

(Euro)

	ASSETS	31/12/2016	31/12/2015
10	Cash and cash equivalents	14,027	18,591
20	Financial assets held for trading	-	-
30	Financial assets at fair value	-	-
40	Available-for-sale financial assets	7,284,799	8,281,299
50	Held-to-maturity financial assets	-	-
60	Receivables	7,553,487,369	6,379,364,446
70	Hedging derivatives	-	-
80	Change in value of financial assets recorded as part of a generic hedge (+/-)	-	-
90	Investments	-	-
100	Tangible assets	21,672,111	22,717,916
110	Intangible assets	9,055,422	7,678,519
120	Tax assets	63,848,594	78,301,886
	a) current	*21,716,217*	*33,874,735*
	b) prepaid	*42,132,377*	*44,427,151*
	of which under Law 214/2011	*37,648,160*	*39,653,636*
140	Other assets	14,409,005	34,317,645
	Total	**7,669,771,327**	**6,530,680,302**

(Euro)

	LIABILITIES AND NET SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
10	Payables	6,836,534,956	5,668,638,966
20	Securities issued	-	-
30	Financial liabilities held for trading	358,564	491,262
40	Financial liabilities at fair value	-	-
50	Hedging derivatives	-	-
60	Change in value of financial liabilities recorded as part of a generic hedge (+/-)	-	-
70	Tax liabilities	16,944,926	23,312,737
	a) current	*14,806,333*	*21,397,232*
	b) deferred	*2,138,593*	*1,915,505*
80	Liabilities associated with assets undergoing disposal	-	-
90	Other liabilities	132,209,415	199,062,678
100	Employee termination benefits	4,912,439	5,226,440
110	Provisions for risks and charges:	12,723,506	12,835,348
	a) post-retirement benefit and similar obligations	-	
	b) other	*12,723,506*	*12,835,348*
120	Share capital	55,900,000	55,900,000
150	Share premium	61,798,643	61,798,643
160	Reserves	494,475,849	449,941,547
170	Valuation reserves	8,699,128	8,938,379
180	Profit (loss) for the year	45,213,901	44,534,302
	Total Liabilities and Net Shareholders' Equity	**7,669,771,327**	**6,530,680,302**

Income statement

(Euro)

	INCOME STATEMENT	Year 2016	Year 2015
10	Interest and similar income	72,770,290	80,376,831
20	Interest and similar expense	481,973	(7,689,646)
	Net interest income	**73,252,263**	**72,687,185**
30	Commission income	62,014,913	74,251,480
40	Commission expense	(11,619,727)	(10,087,540)
	Net commission	**50,395,186**	**64,163,940**
50	Dividends and similar income	117,500	429,506
60	Net trading profit (loss)	112,538	303,457
70	Net result from hedging activities	-	-
80	Net result of financial assets and liabilities at fair value	-	-
90	Gain (loss) on disposal or repurchase:		
	a) financial assets	*(1,500)*	-
	b) financial liabilities	-	-
	Net banking income	**123,875,987**	**137,584,088**
100	Net value adjustments/writebacks for impairment of:	(13,776,798)	(30,659,324)
	a) financial assets	*(13,957,444)*	*(29,748,058)*
	b) other financial transactions	*180,646*	*(911,266)*
110	Administrative expenses:	(44,044,320)	(43,786,776)
	a) personnel expenses	*(19,410,829)*	*(19,567,152)*
	b) other administrative expenses	*(24,633,491)*	*(24,219,624)*
120	Net value adjustments/writebacks on tangible assets	(1,234,477)	(1,270,947)
130	Net value adjustments/writebacks on intangible assets	(1,585,984)	(1,456,095)
140	Net result of fair value valuation of tangible and intangible assets	-	-
150	Net provisions for risks and charges	(3,904,806)	(1,475,365)
160	Other operating income and charges	2,713,156	3,371,353
	Income (loss) from operations	**62,042,758**	**62,306,934**
170	Profit (Loss) from equity investments	-	-
180	Profit (Loss) on disposal of investments	-	-
	Profit (Loss) from current operations before taxes	**62,042,758**	**62,306,934**
190	Income taxes for the year on current operations	(16,828,857)	(17,772,632)
	Profit (Loss) from current operations net of taxes	**45,213,901**	**44,534,302**
200	Profit (Loss) of the groups of assets undergoing disposal, net of taxes		
	Profit (loss) for the year	**45,213,901**	**44,534,302**

Statement of Comprehensive Income

(Euro)

	Items	Year 2016	Year 2014
10.	**Profit (loss) for the year**	**45,213,901**	**44,534,302**
	Other income components net of taxation without transfer to income statement		
20.	Tangible assets	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(16,163)	(32,938)
50.	Non current assets undergoing disposal	-	-
60.	Portion of the valuation reserves of investments valued at equity	-	-
	Other income components net of taxation with transfer to income statement		
70.	Hedging of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Hedging of financial flows	-	-
100.	Available-for-sale financial assets	(223,088)	(2,750)
110.	Non current assets undergoing disposal	-	-
120.	Portion of the valuation reserves of investments valued at equity	-	-
130.	**Total other income components net of taxation**	**(239,251)**	**(35,688)**
140.	**Comprehensive income (Item 10+130)**	**44,974,650**	**44,498,614**

Statement of changes in Equity as at 31.12.16

(Euro)

	Balances as at 31.12.2015	Change in opening balances	Balances as at 01.01.2016	Allocation of previous year's result: Reserves	Allocation of previous year's result: Dividends and other allocation	Changes for the year: Changes in reserves	Changes for the year: Equity transactions: Issue of new shares	Changes for the year: Equity transactions: Purchase of treasury shares	Changes for the year: Equity transactions: Extraordinary dividend distribution	Changes for the year: Equity transactions: Change in equity instruments	Changes for the year: Other changes	Comprehensive income for the year 2016	Shareholders' Equity 31.12.2016
Share capital:	**55,900,000**		**55,900,000**										**55,900,000**
a) ordinary shares	55,900,000		55,900,000										55,900,000
b) other shares	-												
Share premium	**61,798,643**		**61,798,643**										**61,798,643**
Reserves:	**449,941,547**		**449,941,547**	**44,534,302**							**-**		**494,475,849**
a) profit-related	438,368,762		438,368,762	44,534,302									482,903,064
b) other	11,572,785		11,572,785								-		11,572,785
Valuation reserves	**8,938,379**		**8,938,379**									**(239,251)**	**8,699,128**
Equity instruments													
Treasury shares													
Profit (loss) for the year	**44,534,302**		**44,534,302**	**(44,534,302)**								**45,213,901**	**45,213,901**
Shareholders' Equity	**621,112,871**		**621,112,871**								**-**	**44,974,650**	**666,087,521**

Statement of changes in Equity as at 31.12.15

(Euro)

	Balances as at 31.12.2014	Change in opening balances	Balances as at 01.01.2015	Allocation of previous year's result: Reserves	Allocation of previous year's result: Dividends and other allocation	Changes for the year: Changes in reserves	Changes for the year: Equity transactions: Issue of new shares	Changes for the year: Equity transactions: Purchase of treasury shares	Changes for the year: Equity transactions: Extraordinary dividend distribution	Changes for the year: Equity transactions: Change in equity instruments	Changes for the year: Equity transactions: Treasury share derivatives	Changes for the year: Equity transactions: Stock options	Changes for the year: Other changes	Comprehensive income for the year 2015	Shareholders' Equity 31.12.2015
Share capital:	**55,900,000**		**55,900,000**												**55,900,000**
a) ordinary shares	55,900,000		55,900,000												55,900,000
b) other shares	-														
Share premium	**61,798,643**		**61,798,643**												**61,798,643**
Reserves:	**389,449,643**		**389,449,643**	**60,518,876**									**(26,972)**		**449,941,547**
a) profit-related	377,849,885		377,849,885	60,518,876									1		438,368,762
b) other	11,599,758		11,599,758										(26,973)		11,572,785
Valuation reserves	**8,974,067**		**8,974,067**											**(35,688)**	**8,938,379**
Equity instruments															
Treasury shares															
Profit (loss) for the year	60,518,876		60,518,876	**(60,518,876)**										**44,534,302**	44,534,302
Shareholders' Equity	**576,641,229**		**576,641,229**										**(26,972)**	**44,498,614**	**621,112,871**

Statement of cash flows

(Euro)

A OPERATING ACTIVITIES	31/12/2016	31/12/2015
1.Management	**84,710,968**	**106,623,366**
- net profit (loss) for the period	45,213,901	44,534,302
- capital gains/losses from financial assets held for trading and financial assets/liabilities measured at fair value (+/-)		
- capital gains/losses from hedging assets (+/-)		
- net value adjustments on hedging assets (-)		
- net value adjustments for impairment (-)	17,743,520	36,213,155
- net value adjustments on intangible and tangible fixed assets (-)	2,820,462	2,727,042
- net provisions for risks and charges and other costs/revenues (+/-)	4,405,132	2,034,523
- unsettled taxes (+)	14,527,953	21,141,317
- net value adjustments of the groups of assets undergoing disposal, net of the		
- other adjustments		(26,972)
2. Liquidity generated/absorbed by financial assets	**(1,156,501,881)**	**(662,866,845)**
- financial assets held for trading		
- financial assets at fair value		
- available-for-sale financial assets	996,500	1,305,066
- due from banks	62,189,853	(66,850,221)
- due from financial institutions	74,435,368	(163,260,690)
- amounts due from customers	(1,328,491,665)	(438,633,556)
- other assets	34,368,063	4,572,556
3. Liquidity generated/absorbed by financial liabilities	**1,074,937,909**	**559,901,986**
- due to banks	1,045,862,554	645,187,920
- due to financial institutions		
- due to customers	122,033,437	30,134,238
- securities issued		
- financial liabilities held for trading	(132,698)	(154,188)
- financial liabilities at fair value		
- other liabilities	(92,825,383)	(115,265,983)
Net liquidity generated/absorbed by operations	**3,146,996**	**3,658,507**
B. INVESTMENT ACTIVITIES		
1.Liquidity generated by:		**4,139**
- sale of equity investments		
- dividends collected on equity investments		
- sale/reimbursements of financial assets held to maturity		
- sale of tangible assets		4,139
- sale of intangible assets		
- sale of business units		
2.Liquidity absorbed by:	**(3,151,560)**	**(3,674,054)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of tangible assets	(188,672)	(257,015)
- purchase of intangible assets	(2,962,888)	(3,417,039)
- purchase of business units		
Net liquidity generated/absorbed by investment activities	**(3,151,560)**	**(3,669,915)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- distribution of dividends and other allocations		
Net liquidity generated/absorbed by funding activities		
NET LIQUIDITY GENERATED/ABSORBED BY OPERATIONS	**(4,564)**	**(11,408)**

Reconciliation

(Euro)

Financial statement items	31/12/2016	31/12/2015
Cash and cash equivalents	18,591	29,999
Total net liquidity generated/absorbed in the period	(4,564)	(11,408)
Cash and cash equivalents at year end	14,027	18,591

Notes to the accounts

INTRODUCTION

The notes to the accounts are divided up into the following parts:

1) Part A – Accounting Policies;
2) Part B – Information on the Balance Sheet;
3) Part C – Information on the Income Statement;
4) Part D – Other information.

Each part of the notes is divided up into sections, each of which illustrates an individual aspect of the business operations. The sections contain both qualitative and quantitative information.
As a rule the quantitative information comprises items and tables.

PART A – ACCOUNTING POLICIES

A. 1 – GENERAL SECTION

Section 1 – Declaration of compliance with the international accounting standards

Ifitalia S.p.A.'s financial statements as at 31 December 2016 comply with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, adopted by the European Commission, as well as the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005.

With regard to the layouts and the technical forms, the statutory financial statements have been drawn up in accordance with the Circular "IFRS Financial Statements of Brokers other than Banking Intermediaries", whose updated text was issued by the Bank of Italy on 9 December 2016, and in accordance with Article 9 of Italian Legislative Decree No. 38/2005.

In order to more clearly guide the application and interpretation of the international accounting standards, reference was also made to the following sources:

- Framework for the Preparation and Presentation of Financial Statements issued by the IASB;

- Implementation Guidance, Basis for Conclusions and other interpretative documents for the IAS/IFRS adopted by the IASB or the IFRIC (International Financial Reporting Standard Interpretations Committee);

- documents drawn up by the Italian Standard Setter (OIC) and the Italian Banking Association (ABI);

- documents drawn up by the Italian Chartered Accountants Association (Assirevi).

- ESMA (European Securities and Markets Authority) and CONSOB documents that refer to the application of specific provisions in the IFRS.

Section 2 – General basis of presentation

The statutory financial statements, accompanied by the related Report on operations, comprise:

- The Balance Sheet and Income Statement;
- The Statement of comprehensive income;
- The Statement of changes in equity;
- The Statement of cash flows;
- The Notes to the accounts.

The financial statements were prepared with a view to the business as a going-concern, taking into account the current and projected profitability and the easy access to financial resources. The Directors considered appropriate the assumption of the business as a going concern, because in their judgement no uncertainties linked to events or circumstances have emerged which, considered individually or as a whole, may lead to doubts about the viability of the business.

The accounting policies comply with the principles of accruals, relevance and significance of the accounting information and predominance of economic substance over legal form.

The financial statement accounts are consistent with the company's accounting records; furthermore, in compliance with the provisions of Article 5, Paragraph 2 of Italian Legislative Decree No. 38 dated 28 February 2005, the financial statements have been drawn up using the Euro as the reporting currency. In detail, in line with the instructions issued by the Bank of Italy, the statements have been drawn up in units of Euro without decimal figures, the notes to the accounts are drawn up in thousands of Euro and the report on operations is drawn up in millions of Euro.

Section 3 – Subsequent events after year end

When drawing up the financial statements, Ifitalia considered all the events which had economic pertinence during the year ended as at 31 December 2016 even if subsequent to the year end date and which took place up until the date of approval of the financial statements by the Board of Directors.

Section 4 – Other aspects

The Ifitalia financial statements have been audited by the auditing firm Mazars Italia S.p.A., which was granted the appointment for the period 2015 – 2025 by the Shareholders' Meeting held on 24 November 2015 in accordance with Legislative Decree No. 39 of 27 January 2010.

Legislative changes

During 2016 there were no significant legislative updates.

The amendments to IAS 39 (IFRS 9)

On 24 July 2014, the IASB issued the accounting standard IFRS 9 "Financial Instruments", therefore concluding the process for the integral review of IAS 39 "Financial Instruments: Recognition and Measurement", divided up into three stages:
- "Classification and Measurement";
- "Impairment;" and
- "General Hedge Accounting".

The standard in question, whose adoption is mandatory as from 1 January 2018, was endorsed on 6 October 2016 by the European Commission with regard to which, in 2015, the European Financial Reporting Advisory Group (EFRAG) issued its favourable opinion.
Note that, given the complexity of implementing the standard in question, especially with regard to the provisions on impairment with a view to expected losses, as well as the related impacts that these could have on the financial statements and aspects of capital income, in June 2016, a specific project began at the Italian Banking Association to analyse the more operational issues and more critical aspects deriving from the application IFRS 9, promoting interbank dialogue on the matter.
Internally, coordinating with the Parent Company BNP Paribas, a project was launched in January 2015 involving an initial assessment phase to analyse the application of the new accounting standard, also in terms of IT applications, followed by a second phase to define the impacts, launched at the beginning of 2016, with the goal of guaranteeing the application of IFRS 9 in accordance with the terms set out in the regulations.
In particular, a detailed analysis was conducted of the preliminary results, which confirmed the significance of the changes introduced by the new standard in relation to the impairment model applicable to all financial assets. This consequently strengthened the expectation of the entire national and international banking system of an increase in the amount of writedowns compared to those estimated using the current models.
However, no significant balance sheet reclassifications are expected in compliance with the new provisions on the

classification of financial assets set out in IFRS 9.

Foreign currency transactions

Assets and liabilities denominated in foreign currency (these being understood to be currencies other than the Euro, also including the transactions which envisage index-linking clauses to these currencies) are converted on the basis of the exchange rate as at year end. Essential neutrality between the credit and debit amounts exists for these, since the advances granted are covered by foreign currency loans for the same amount.

Payment agreements based on own equity instruments

The company has not put in place payment agreements based on own equity instruments.

Use of estimates in financial statements

The preparation of the financial statements required the use of estimates and assumptions that can have effects on the amounts in the balance sheet and income statement. The calculation of these estimates involves the use of the information available as of the date of preparation of the financial statements and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions in order to record management events.
The main cases for which the use of subjective evaluations is required the most by the company's management are:

- the losses due to impairment of receivables and, generally, of other financial assets;
- the fair value of financial instruments to be used for the purpose of financial statement disclosure;
- the provisions for risks and charges;
- the recoverability of the deferred tax assets;
- the portion of property held for investment purposes.

Impairment tests

As regards the tests provided for by IAS 36, no impairment indicators were found in the valuations made, in consideration of the book values and the specific nature of the assets in the accounts.

A. 2 – SECTION REGARDING THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting standards applied to the financial statements of the Company are described in detail below.

1. Financial assets and liabilities held for trading

Initial recognition

The initial recognition of financial assets (or the financial liabilities) takes place on their trading date.

These items are initially stated at their fair value, generally represented by the amount paid for the execution of the transactions, with the exclusion of the transaction costs which are immediately recorded in the income statement even if directly attributable to these financial assets.

Classification

"Financial assets held for trading" (item 20 – Balance sheet - Assets) and "Financial liabilities held for trading" (item 30 – Balance sheet - Liabilities) include financial instruments held with the intention of generating profits over the short-term deriving from changes in the prices of said instruments, as well as derivative contracts; the only exception concerns derivative contracts designated as hedging instruments.

A financial instrument or other type of contract is considered to be a derivative if it has the following three features:

- its value changes in relation to the change in an interest rate, the price of a financial instrument, the price of a good, the foreign currency exchange rate, a price or rate index, the credit rating or credit indices or other pre-established variables (generally known as “underlying” elements);

- it does not require an initial net investment or require an initial net investment lower than that required for other types of contracts which are expected to disclose a similar fluctuation in relation to market factor changes;

- it is settled at a future date.

The Company’s has recorded Interest Rate Swap derivatives under the financial liabilities held for trading, not initially declared in the hedging category, despite being, operationally, transactions established with the aim of hedging the fixed rate risk applied to customers.

Measurement

Subsequent to initial statement, these financial assets/liabilities are valued at fair value, with the exception of equity instruments not listed on an active market and whose fair value cannot be reliably determined. The determination of the fair value of trading assets and liabilities is based on the prices struck on active markets, on prices provided by the operators or on appraisal models used in financial practice.

If the fair value of a financial asset becomes negative – a circumstance which may occur for example in relation to derivative contracts – this asset is recorded as a financial trading liability, item (30 Balance sheet - Liabilities).

Derecognition

Financial assets/liabilities are cancelled when the right to receive or the duty to pay the cash flows expires or whenever all the risks and benefits connected with the holding of said assets/liabilities are substantially transferred.

Income component recognition

Accrued interest is recorded in item 10 Interest income and similar income or 20 Interest expense and similar expenses for debt securities, except for the differentials on derivatives, which are recorded in the net trading profit (loss).
Realised gains and losses on sales or reimbursements and unrealised gains and losses deriving from fair value changes in the trading portfolio, are recorded in income statement item 60, Net trading profit (loss).

2. Available-for-sale financial assets

Initial recognition

Initial recognition takes place, for financial assets whose delivery is disciplined on the basis of agreements envisaged by the reference market (so-called regular way contracts), as of the settlement date, while the trading date is applied for the others. The initial statement value for all the assets is the fair value; this normally coincides with the cost of the transaction, inclusive of the transaction costs or income directly attributable to said instrument.

Classification

These are non-derivative financial assets which are not classified as loans/receivables, held-to-maturity financial assets, assets valued at fair value or financial assets held for trading.
Money market securities, other debt instruments and shares which are intended to be held for an unspecified period of time, but that can be sold in order to obtain liquidity, due to changes in interest rates, in exchange rates and market prices, can be classified as “Available-for-sale financial assets” (item 40 Balance sheet – Assets). Equity investments that do not qualify as subsidiary, jointly-controlled or associated companies are included in this item.

Measurement

These assets are subsequently valued at fair value, determined on the basis of the prices struck on active markets, provided by operators or on internal appraisal models generally used in financial practice based - limited to the measurement of the unlisted equity investments - on shareholders' equity figures.

The value of listed share investments is determined on the basis of the market price; in this latter case, the securities are written down if objective evidence indicates that the decrease (impairment) in the market price has reached such a level that the recovery of the cost value cannot be reasonably expected in the foreseeable future.

Investments in equity instruments not listed on active markets, and whose fair value cannot be reliably determined, are maintained at cost. In this case, the indicators prescribed by IAS 39 are considered for revealing any impairment.

Derecognition

Available-for-sale financial assets are cancelled when the asset is sold, transferring the essential nature of the associated risks and benefits, or when the contractual rights on the financial flows deriving from said assets cease. In this event, the statement in the accounts of the transfer takes place on the basis of the same criteria adopted for initial statement.

Income component recognition

Unrealised profits and losses deriving from the fair value valuation, are recorded in a specific equity reserve, item 170. "Valuation reserves", net of the related taxation, up to the moment the investment is disposed of or written down (permanent loss in value) and the related effect is recorded respectively in the income statement under the item "Profit/loss on disposal of financial assets" (item 90.a) or "Net value adjustments for impairment of financial assets" (item 100.a). In this latter case, the amount transferred equates to the difference between the book value (acquisition cost net of any losses due to impairment already previously recorded in the income statement) and the fair value.
The permanent loss in value is recorded at the time the acquisition cost (net of any capital repayment and amortisation/depreciation) of an available-for-sale financial asset exceeds its recoverable value as defined in the accounting policies. Any value writebacks on investments in share instruments, whose fair value is reliably determined, are not recorded with a matching balance in the income statement, but under equity, while any value writebacks on investments in debt instruments are classified in the income statement.

3. Receivables

Initial recognition

Within the sphere of the more extensive category of financial instruments, loans/receivables comprise non-derivative financial assets with payments which are fixed or can be determined and which are not listed on an active market. Loans/receivables are initially stated at fair value.

Classification

In accordance with IAS 39, and in compliance with the general principle of the predominance of the economic substance over legal form, a transferee company can record a financial asset in its financial statement if and only if:

a) the financial asset is transferred along with essentially all the risks and contractual rights to the correlated cash flows (the transferor may maintain the rights to receive the cash flows of the asset but must have the obligation to pay the same to the transferee, and cannot sell or commit the financial asset);

b) the benefits associated with ownership of the same cease with regard to the transferor when transferred to the transferee.

The forms of transfer for loans/receivables subject to factoring can be broken down as follows:

- without recourse: a transaction which, irrespective of the contractual form, provides the factor with the full transfer of

the risks and benefits associated with the assets forming the subject matter of the transaction as per IAS 39;
- with recourse: a transaction which, irrespective of the contractual form, does not provide the factor with the full transfer of the risks and benefits associated with the assets forming the subject matter of the transaction as per IAS 39.

Ifitalia has recorded the following in the financial statements, under item 60 of the balance sheet assets, “Loans and Receivables”, and in line with the afore-mentioned criteria:

- loans/receivables acquired without recourse. Classification envisages the recording of the loans/receivable due from the debtors for the portion of the amount paid (cash risk) and for the portion still to be paid (endorsement risk) net of impairment. In this case, the amount due to the transferor, for the portion of the amounts still to be paid, is recorded under balance sheet liability item 10, “Payables”;
- advances paid to the transferors for loans/receivables acquired with recourse, inclusive of the interest and other amounts accrued, and net of impairment;
- advances paid to the transferors for loans/receivables acquired without recourse with contractual clauses (as defined below) which limit the essential transfer of all the risks and benefits (formal without recourse);
- advances paid to the transferors for future loan/receivable factoring transactions, inclusive of the interest and other amounts accrued;
- advances paid to the transferors exceeding the total loans/receivables inclusive of the interest and other amounts accrued;
- the exposure to the factored debtors in just guarantee-related without recourse transactions when on occurrence of default the payment is made under guarantee of said loan/receivable;
- amounts due for late payments;
- exposures to the factored debtors for payment extensions granted.

Ifitalia has recorded the following amounts under guarantees and commitments (Notes to the accounts Part D), in line with the above criteria:
- both the value of the loans/receivables acquired without recourse (just guarantee) and the guarantees given accessory to the factoring transactions;
- the value of the endorsement risk for the loans/receivables acquired without formal recourse and the value of the exposure for the unused amount of the committed credit facilities.

In order to assess whether transfer of the essential nature of the risks and benefits has taken place in the acquiring of the loans factored without recourse, it is necessary to identify and analyse, using qualitative and quantitative criteria, the contractual clauses capable of affecting the expected variability of the cash flows of the factored loans/receivables. For such purposes, within the reference framework of IAS 39 interpreted and defined together with Bank of Italy legislation and Assirevi and Assifact research documents, the most common contractual clauses in Ifitalia transactions have been stated below, analysed with a view to application of the recognition / derecognition rules./receivables

Maximum Payable
This category of clauses is key for the purposes of the recognition/derecognition since it limits the undertaking of the credit risk by the Factor. In essence, while the “initial loss” remains the Factor’s, the losses exceeding the ceiling are the transferor’s.
In the presence of this clause, it is necessary to quantify and compare the amount of the ceiling with the risk exposure. If the maximum payable essentially covers the credit risk, then it means that the afore-mentioned risk has been transferred by the Transferor to the Factor.
With regard to the outstanding contracts, the latter point has been confirmed, therefore the clause has not been considered as impedimental to the statement of the individual loans/receivables in the financial statements.

Malus clause
The commission linked to the portfolio’s performance, with retroactive application, (losses deriving from default of the factored debtors, with regard to principal and/or interest) can be critical for the purpose of recognition/derecognition since it can indicate a limitation or an exclusion of the transfer of the risks by the transferor to the factor.
In the presence of quantitative and qualitative analysis carried out, the loans/receivables assisted by this clause in certain specific cases led to the retention of the credit risk by the transferor to an extent considered to be significant on the basis of the materiality thresholds. In such cases, the clause was considered impedimental to the recording of the

individual loans/receivables in the financial statements.

Measurement

After initial recognition, the receivables are valued at amortised cost as indicated below.

For the purpose of calculating the return within the sphere of factoring transactions, it is possible to identify, with regard to the nature, three categories of remuneration:

- Management commission

This commission takes on the form of a *fee for the provision of multiple services* (for example the dunning of the debtor, debt collection, etc.) provided by means of an unspecified number of activities within a specific time span. With regard to this type of commission, recognised irrespective of the duration of the loan/receivable,
IAS 18 was applied, rediscounting the portion of commission relating to loans/receivables not expired to be credited as a matching balance to the item "other liabilities".

- Guarantee commission (costs/revenues directly attributable to the transaction)

This commission takes on the form of a fee for the undertaking by the Factor of all or part of the risk element inherent in the financial asset forming the subject matter of the transaction. With regard to this type of commission, steps were taken to apply IAS 39, spreading the revenue in a linear manner over the duration of the loan/receivable and for loans/receivables due beyond 12 months deducting the unaccrued amount (deferred income) from said loan/receivable.

- Other types of commission

This category includes those cost/revenue items not falling within the above two categories and includes on-going one-off commission recorded at the time when the one-off service is completed (very often coinciding with collection of the commission).

Loans/receivables are in turn classified as performing and impaired (non-performing). According to the Bank of Italy instructions, impaired assets are as follows:

Non-performing loans: positions vis-à-vis parties in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts made by the company. Therefore, the existence of any guarantees (secured or unsecured) afforded to cover the receivables is left aside.

Unlikely to pay: the classification in this category takes place on the basis of the improbability that, without recourse to action such as enforcement of the guarantees, the debtor fully meets (in terms of principal and/or interest) its credit obligations. This assessment is made independently from the presence of any amounts (or instalments) past due and not paid.

Therefore, it is not necessary to await the explicit symptom of anomaly (non-payment), if elements exist which imply a situation of debtor default risk (for example, a crisis in the industrial sector in which the debtor operates).

- ✓ Past due positions with respect to individuals: exposures other than those classified as non-performing or unlikely to pay, which - as of the reporting reference date – are past due by more than 90 days. Based on the Bank of Italy legislation, Ifitalia applies the notion of past due exposure at counterparty level.
  The position is past due if there is at least one invoice past due by more than 90 days and the total of the past due invoices (including those by less than 90 days) exceeds 5 percent of the total loans/receivables.

- ✓ Past due positions with respect to Public Administration persons: in accordance with a conservative interpretation of the Bank of Italy regulations the definition of "past due" includes those exposures for which the following conditions are met:
  1) they have been past due on a continual basis for more than:
     - 90 days in the case of exposures to central administrations, central banks and to local authorities;
     - 180 days in the case of exposures to government agencies;
  2) the total amount of the exposures indicated above and the other portions due by less than 90 or 180 days are at least equal to 5 percent of the entire exposure to this debtor.
  3) they are different from exposures to the Tax Authorities deriving from sales of tax credits (VAT, IRPEG, etc.). These

loans and receivables have an undetermined maturity, as there is a minimum time before which they cannot be liquidated but not a maximum term by which they must be paid.

For these exposures, where the notion of past due receivable is applied at the counterparty level, the continual nature of the past due receivable is interrupted when the debtor has made a payment for at least one of the positions which became past due in the previous 90 days.

Income component recognition

Interest on loans/receivables is classified under interest and similar income, income statement "item 10" and is recorded on an accruals basis.

Impairment:

On the basis of the status of the relationship, a distinction was made between "**performing**" positions and **"non-performing or impaired"** positions:

a) "**Performing**" positions: the company has implemented a process to calculate the collective write-down of performing loans in harmony with the provisions at BNP Group level with the methods below:

- Credit risk: the writedown is applied proportionally to the Loss Expected on each counterparty associated with the rating value (PD) and the LGD of the technical form relating to the recorded amount associated to the subject (PA=PD x LGD). The group's methodology considers the PD associated to rating Classes 8/9/10 for the corporate/SME segment and 9/10 for the Retail SME/Retail segment as relevant;
- Dilution risk – the writedown is applied to debtor cash risks proportionally to the average dilution risk recorded on the portfolio distinguished by corporate/SME and Retail SME/Retail segment. The amount of the writedown is proportional to the expected loss deriving from the default risk of the transferor associated to the without recourse transaction and the unsecured LGD recorded on internal data.

b) **Impaired**" positions: a loan/receivable is considered to be impaired when it is deemed that, most probably, it will not be possible to recover the entire amount, on the basis of the original contract conditions, or an equivalent value. The determination of the writedowns to be made to loans/receivables is based on the discounting of the cash flows expected for principal and interest net of the recovery charges; for the purpose of calculating the current value of the flows, the fundamental elements are represented by the identification of estimated recoveries, the related timescales and the discount rate to be applied.

The valuation of the loans/receivables included in the categories of non-performing, problem and restructured risk, is carried out analytically, while with regard to past due positions and "objective problems" (category included under problem positions) an analytical assessment is carried out for the positions of specific significance, and a generalised assessment is carried out for the rest.

The writedown of problem loans/receivables is subsequently written back (within the limits of the value previously written down) only when the quality of the amount due has improved to such an extent that reasonable certainty exists of a greater recovery of the principal and the interest and/or amounts have been collected to an extent greater than the value of the receivables recorded in the previous financial statements. In any event, considering the method used for determining the writedowns, the approach of the due dates envisaged for the recovery of the receivable due to the passage of time, gives rise to a "value writeback" on said receivable, since it determines a reduction in the implicit financial charges previously charged against the value of the receivables.

Gains (or losses) on receivables are recorded in the income statement:

- ✓ when the financial asset in question is eliminated, under item 90.a - "Gains (losses) on disposal";
- ✓ when the financial asset has undergone a writedown or writeback, under item 100.a - "Net value adjustments for impairment";
- ✓ under item 150 "Net provisions for risks and charges" matching "Other liabilities" the loss expected against guarantee and commitments (Part D).

Derecognition

Loans/receivables are derecognised from the balance sheet assets when:

1. the right to receive the cash flows is discharged;

2. the loan/receivable is considered to be definitively unrecoverable.

The amount of the losses is recorded in the income statement net of the writedown allowances previously provided.

4. Tangible assets

Initial recognition

Tangible assets are initially stated at cost, inclusive of all the charges directly associated with bringing the asset onto stream.

Classification

Item (100) “Tangible assets” includes land and buildings used for business purposes, land and building for investment purposes, furniture, electronic systems and other tangible assets.
Assets used for business purposes are those held for the supply of services or for administrative purposes, while investment properties are those held for the purpose of collecting lease payments and/or held for appreciating the invested capital or in any event not occupied by the company or when they become as such.

Measurement

Subsequent to initial statement, tangible assets are recorded at cost net of accumulated depreciation and impairment losses.
With reference to properties held for investment, the valuation at cost was opted for, providing the disclosure envisaged by IAS 40.
The depreciable value, equating to cost less the residual value (or rather the amount which is expected to be obtained from the asset at the end of its useful life, usually zero, after having deducted the sale costs), is divided up systematically over the useful life of the tangible asset, adopting a straight-line depreciation approach.
The residual value and the useful life of properties, plant and machinery is reviewed at least once a year for financial statement purposes and, if the expectations differ from the previous estimates, the depreciation charge for the current and subsequent years is adjusted.
The useful life, subject to periodic review for the purpose of recording any estimates significantly different from the previous ones, is defined as:

– the period of time during which it is expected that an asset can be used by the company, or,

– the quantity of products or similar units which the company expects to obtain from the use of said asset.

In the property category, land and buildings are considered to be separable assets and treated independently for accounting purposes, even when acquired together. As a rule, land has an unlimited life and therefore is not depreciated. Buildings have a limited life and, therefore, are depreciated. An increase in the value of the land on which a building stands does not influence the determination of the building’s useful life.

If there is objective evidence that an individual asset has suffered impairment, steps are taken to compare the book value of the asset with its recoverable value, equating to the greater between the fair value, less sales costs, and the related value in use, understood to be the current value of the future cash flows which are expected to derive from the asset. Any value adjustments are recorded under item 120. “Value adjustments/writebacks on tangible assets” in the income statement.
If the value of an asset previously written down is reinstated, the new book value cannot exceed the net book value which would have been determined if no impairment loss on the asset had been recorded in previous years.

Income component recognition and derecognition

Depreciation is recorded in the income statement in item 120, "Net value adjustments/writebacks on tangible assets".
The costs incurred subsequent to purchase are added to the book value of the assets or recorded as a separate asset if it is probable that future economic benefits exceeding those initially estimated will be achieved and the cost can be reliably determined. All the other costs incurred subsequently (e.g. ordinary maintenance measures) are recorded in the income statement, in the year they are incurred, under item: 110.b) "Other administrative expenses", if they refer to assets for business use, or item 160. "Other operating income/charges", if referring to properties held for investment.

Tangible assets are cancelled from the balance sheet when disposed of or when the asset is permanently withdrawn from use and future profits are not expected from its disposal and future economic benefits are not expected from its use. Any difference between the disposal value and the book value is recorded in the income statement under the item 180. Profit/loss on disposal of investments.

5. Intangible assets

Initial recognition and classification

An intangible asset is a non-monetary asset, identifiable even if lacking physical appearance, from which it is probable that future economic benefits will originate. The asset is identifiable if:
– it can be separated or spun-off and sold, transferred, granted under licence, leased or exchanged;
– it derives from contractual rights or other legal rights irrespective of the fact that these rights are transferable or separable from other rights or obligations.
The asset is controlled by the company if the company has the power to avail itself of the economic future benefits deriving from the resource in question and can, also, limit access by third parties to said benefits. They are therefore recorded among the balance sheet assets only if:

(a) future economic benefits attributable to the asset in question are likely to emerge;
(b) the cost of the assets can be reliably measured.

If the conditions described above should occur, intangible assets are included among the balance sheet assets and recorded at cost, adjusted for any accessory charges. Otherwise, the cost of intangible assets is recorded in the income statement related to the year in which the cost was borne.

Intangible assets recorded in the financial statements as at 31 December 2016 are essentially represented by software. Furthermore, in accordance with the Group accounting standards and IAS/IFRS, the Company adopted the policy of capitalising the IT costs attributable to software development projects.

Measurement

After initial recognition, software is recorded in the financial statements at cost net of total amortisation and accumulated losses in value.
The cost includes:
- the purchase price less trade discounts and allowances;
- any direct cost for preparing the asset for use.

Any expenses, determined and attributable to the asset reliably, subsequent to initial statement, are capitalised only if they are able to generate future economic benefits.
Intangible assets with a definite useful life are amortised on the basis of the estimate made of their residual useful life and recorded at cost net of total amortisation (using the straight-line method) and any impairment losses applicable. At the end of each accounting period, this residual useful life is subject to appraisal so as to ascertain the adequacy of the estimate. If there is objective evidence that an individual asset has suffered impairment, steps are taken to compare the book value of the asset and its recoverable value, equating to the greater between the fair value, less sales costs, and the related value in use, understood to be the current value of the future cash flows which are expected to derive from the asset.

In the event that the book value is greater than the recoverable value, a loss equating to the difference between the two values is recorded under item 130. “Net value adjustments/writebacks on intangible assets”

If the value of a previously written down intangible asset, other than goodwill, is reinstated, the new amounts cannot exceed the net book value which would have been determined if no loss had been recorded for the impairment of the asset in previous years.

Income component recognition and derecognition

Amortisation is recorded in the income statement in item 130, “Net value adjustments/writebacks on intangible assets”.

Intangible assets are eliminated from the balance sheet at the time of disposal or when future economic benefits from their use or disposal are no longer expected, and any difference between the disposal value and the book value is recorded in the income statement under item 180. Profit/loss on disposal of investments.

6. Tax assets and liabilities

Income taxes are calculated in observance of current tax legislation. The tax liability (return) is the total amount of the current and deferred taxes included in the calculation of the net profit or loss for the year. Current taxes represent the amount of the income taxes payable (recoverable) referring to the taxable income (tax loss) for a year. Deferred taxes represent the amounts of the income taxes payable (recoverable) in future years, referable to taxable (deductible) timing differences.
Current tax assets include the advance payments and other tax credits for withholdings made or for tax credits for which a rebate has been requested from the competent tax authorities. By contrast, tax liabilities reflect the provisions necessary for covering the tax charges for taxation on the basis of current legislation. Deferred taxation is calculated by applying the so-called “balance sheet liability method”, taking into account the tax effects associated with the timing differences between the book value of the assets and the liabilities and their value for tax purposes, which determine taxable or deductible amounts in future periods.

Timing differences can be:
a) taxable, i.e. timing differences which, when determining the taxable income (tax loss) for future years, will translate into taxable amounts when the book value of the asset or the liability will be realised or discharged; a deferred tax liability is recorded for these differences.

b) deductible, in other words timing differences which, when determining the taxable income (tax loss) for future years, will translate into deductible amounts when the book value of the asset or the liability will be realised or discharged.

A deferred tax asset is recorded for all the deductible timing differences if it will be probable that taxable income will be generated against which the deductible timing difference can be used.

Deferred tax assets and liabilities are calculated using the tax rate envisaged in the periods when the assets will be realised or the liability will be discharged and will be offset when they are due to the same tax authority and when the right to offsetting is recognised by law.
Current and deferred taxes are recorded in the income statement with the exception of those relating to items whose value adjustment is recorded as a matching balance to the equity and for which the tax effects are also recorded among the equity reserves. Prepaid tax assets and deferred tax liabilities are not discounted back or offset.

7. Payables

Initial recognition

Initial recognition takes place at the fair value of the liabilities, equating to the face value increased by any additional costs/income directly attributable to the individual transaction and not reimbursed by the creditor. Internal administrative costs are excluded.

Classification

"Payables" (item 10) include all the forms of funding *vis-à-vis* the system as well as amounts due to transferors.

Payables include all the debt liabilities, other than trading liabilities.

The item mainly comprises payables due to banks for loans received, current account overdrafts and payables to transferors for loans/receivables acquired without recourse, in relation to the portion for which the price has not been paid to the transferor or all the risks and benefits have not been transferred.

Measurement

After initial recognition, subsequent measurement follows the amortised cost approach, using the effective interest rate method.

Income component recognition

The related interest is recorded in the income statement under item 20. "Interest expense and similar charges".

Derecognition

Payables are cancelled from the financial statements when the related contractual obligations expire or are discharged.

8. Employee termination benefits

Initial recognition and classification

Employee Termination Benefits, disbursed by the employer to the employee when the employment relationship terminates, are one of the worker's rights disciplined by Article 2120 of the Italian Civil Code and by Italian Laws No. 297/1982 and 296/2006. The provision has been recorded as a benefit subsequent to the employment relationship with defined benefits. The related liability is recorded in the financial statements on the basis of the amount to be paid to each employee and is valued using the actuarial method as a "defined benefit obligation", taking into account future due dates when the financial disbursement will actually occur.

More specifically, Italian Law No. 296/2006 (2007 Finance Act) essentially states that:

- the portion of the benefits accrued up until 31 December 2006 will remain in-house and must be disbursed to the employees in accordance with statutory regulations, creating a liability to be recorded in the financial statements;
- as for the portion of the benefits accrued from 1 January 2007, the employee can choose whether to have them allocated:

  a) to supplementary welfare funds;

  b) to the INPS Treasury Fund.

Therefore, the amount recorded under the item "Employee termination benefits" refers solely to the defined benefit obligations connected with the benefits accrued up to a specific date within the first half of 2007 which is different for every employee, valued by an independent actuary without applying the "pro-rata" amount of the service supplied. As a result, costs relating to work performed after said date are not considered for valuation purposes.

Measurement and income component recognition

The actuarial method for calculating the Employee Termination Benefits starts from the detailed situation, at the moment of recording, of each worker and envisages year after year, for each individual worker up until his/her departure, the development of this situation due to:

(i) the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);

(ii) for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

9. Provision for risks and charges

Initial recognition/classification

A provision is recorded under "Provisions for risks and charges" (item 110) only when:

- a current obligation (legal or implicit) exists as the result of a past event;
- it is probable that the use of resources will be necessary for meeting the obligation;
- a reliable estimate can be made of the amount of the obligation.

Measurement

The provision is represented by the liabilities which it is supposed will be incurred in order to discharge the obligation.

The provisions for risks and charges include:

- provisions for revocation disputes and third party disputes (including therein those made by staff and former employees);
- any other provision with a specific purpose;
- the provision for the 25th year of service bonus for employees;
- provision for a redundancy incentive for employees.

No provision is made against potential and improbable liabilities.

Income component recognition

The amount set aside to the provision for risks and charges is recorded in the income statement under item 150 "Net provisions for risks and charges".

The afore-mentioned item includes the balance, positive or negative, between the provisions and any re-allocations to the income statement of the provisions deemed in excess.

If the provisions concern charges for employees, the income statement item concerned is item 110.a) "Administrative expenses: personnel expenses".

Derecognition

The provisions made are reviewed as of each year end date and adjusted to reflect the best current estimate. If it is no longer likely that the use of resources for producing economic benefits will be necessary to meet the obligation, the provision is reversed.

A.3 - DISCLOSURE ON THE TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

The company did not carry out any portfolio transfers during 2016.

A.4 – FAIR VALUE DISCLOSURE

A.4.1 Fair value levels 2 and 3: measurement techniques and input used

The fair value is the price which would be perceived for the sale of an asset, or which would be paid for the transfer of a liability in a regular transaction between market operators as of the measurements date (IFRS 13; §9).
In the event of financial instruments listed on active markets (Fair value level 1), the fair value is determined as from the official prices of the most advantageous market to which the Bank has access (Mark to Market). A financial instrument is considered as listed on an active market if the listed prices are readily and duly available in a price list and these prices represent effective market transactions which regularly take place in normal transactions.
For the purpose of classification in Fair value level 2, if the official listing on an active market does not exist for a financial instrument in its entirety, but active markets exist for the parts which it is comprised of, the fair value is determined on the basis of the pertinent market prices for the parts it is comprised of. If the market listings are not available, the Bank resorts to measurement models (Mark to Model) in line with the methods generally accepted and used by the market. The measurement models include techniques based on the discounting back of the future cash flows and on the estimate of the volatility and are subject to review both during their development and periodically, for the purpose of ensuring their full coherence with the objectives of the measurement.
These methods use inputs based on prices formed in recent transactions in the instrument subject to measurement and/or prices/listings of instruments with similar features in terms of risk profile. These prices/listings are, in fact, important for the purpose of determining the significant parameters, in terms of credit risk, liquidity risk, price risk and any other significant risk, relating to the instrument being measured.
The reference to these "market" parameters makes it possible to limit the discretion used in the measurement, at the same time ensuring the verifiability of the resulting fair value.
If, due to one or more risk factors, it is not possible to refer to market data, and therefore the financial instruments are classified in fair value level 3, the measurement models employed use estimates based on historical data as inputs.
The parameters which cannot be observed on the markets used for the measurement of the equity instruments which give rise to FV adjustments in the determination of the estimates, refer to the Net Asset Value (with the exclusion of any Intangible fixed assets) whose calculation is based on data communicated directly by the Company (Financial statements, reports, etc.).
Specifically, as at 31 December 2016, the Company had recorded both unlisted equity investments and carried at cost, since these are capital instruments whose fair value cannot be measured reliably, and unlisted equity investments measured at fair value on equity figures under "Available-for-sale financial assets".

During 2016, no changes took place in the measurement techniques used for estimating the fair value of Levels 2 and 3 of the financial assets and liabilities measured at fair value.
With regard to the financial instruments recognised at amortised cost, with regard to the estimate of the fair value indicated in the Note to the accounts, the following methods and assumptions have been applied:
- for cash and cash equivalents the fair value is represented by the nominal or face value;
- for properties, the fair value is determined on the basis of the analysis of the market values of similar properties;
- with regard to the impaired financial assets, the fair value has been adopted as equal to the estimated realisable value used for financial statement purposes;
- with regard to financial assets, as well as for other asset and liability items without a specific maturity, the book value essentially approximates the fair value.

A.4.2 Processes and sensitivity of the measurements

The unobservable parameters capable of influencing the measurement of the instruments classified as level 3 are represented by the estimates and the assumptions underlying the models used for measuring the investments in equities.

With regard to these investments, no quantitative sensitivity analysis of the fair value with respect to the change in the non-observable inputs has been drawn up, since either the fair value has been obtained from third party sources without making any adjustment or it is the result of a model whose inputs are specific to the entity subject to measurements (for example: equity values of the company) and in relation to which it is not reasonably possible to hypothesise alternative values.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy in relation to the degree of observability of the inputs of the valuation techniques adopted. In detail, the following levels are identified:
Level 1: valuations (without adjustments) taken from the active markets of the listings;
Level 2: inputs other than the listed prices as per the previous point, but in any event referring to parameters or prices which can be observed directly or indirectly on the market;
Level 3: inputs which are not based on market observations.
The classification of the financial instruments measured at fair value and the assets and liabilities not measured at fair value or valued at fair value on a non-current basis is carried out with reference to the afore-mentioned indications. These parameters are also used for the transfer between the various levels which might become necessary during the year.
There were no transfers between the fair value levels during 2016.

A.4.4 Other information

The Company has not availed itself of the possibility envisaged by IFRS 13, § 48 which makes it possible to "measure the fair value of a group of financial assets and liabilities on the basis of the price which would be received from the sale of a long net position (or rather an asset) for a specific exposure to risk or from a transfer of a short net position (or rather a liability) for a particular exposure to risk in a regular transaction between market operators as of the measurement date, under current market conditions."

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

(thousands of €)

	2016			2015		
Assets/liabilities at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	7,285	-	-	8,281
4. Hedging derivatives	-	-	-	-	-	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**-**	**-**	**7,285**	**-**	**-**	**8,281**
1. Financial liabilities held for trading	-	359	-	-	491	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**359**	**-**	**-**	**491**	**-**

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

At year end, the company did not have any reclassification of the financial instruments among the portfolios.

Available-for-sale financial assets are represented by investments in unlisted companies.

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

(thousands of €)

		Financial assets held for trading	Financial assets at fair value	Available-for-sale financial assets	Hedging derivatives	Tangible assets	Intangible assets
1.	**Opening balances**		-	**8,281**	-	-	-
2.	**Increases**	-	-	**-**	-	-	-
2.1.	Purchases	-	-	-	-	-	-
2.2.	Profits booked to:	-	-	-	-	-	-
2.2.1	Income statement	-	-	-	-	-	-
	- of which capital gains	-	-	-	-	-	-
2.2.2.	Shareholders' Equity	X	X	-	-	-	-
2.3	Transfers from other levels	-	-	-	-	-	-
2.4.	Other increases	-	-	-	-	-	-
3.	**Decreases**	-	-	**996**	-	-	-
3.1	Sales		-	-	-	-	-
3.2	Reimbursements	-	-	995	-	-	-
3.3	Losses booked to:	-	-	1	-	-	-
3.3.1	Income statement	-	-	1	-	-	-
	- of which capital losses	-	-	1	-	-	-
3.3.2	Shareholders' Equity	X	X	-	-	-	-
3.4	Transfers to other levels	-	-	-	-	-	-
3.5	Other decreases	-	-	-	-	-	-
4.	**Closing balances**	-	-	**7,285**	-	-	-

A.4.5.3 Annual changes in liabilities measured at fair value (level 3)

There were no amounts in this table.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(thousands of €)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	2016 VB	2016 L1	2016 L2	2016 L3	2015 VB	2015 L1	2015 L2	2015 L3
1. Held-to-maturity financial assets	-	-	-	-	-	-	-	-
2. Receivables	7,553,487	-	-	7,553,487	6,379,364	-	-	6,379,364
3. Investments	-	-	-	-	-	-	-	-
4. Tangible assets held for investment	2,863	-	2,863	-	2,871	-	2,871	-
5. Non current assets and groups of assets undergoing disposal	-	-	-	-	-	-	-	-
Total	**7,556,350**	**-**	**2,863**	**7,553,487**	**6,382,235**	**-**	**2,871**	**6,379,364**
1. Payables	6,836,535	-	-	6,836,535	5,668,639	-	-	5,668,639
2. Securities issued	-	-	-	-	-	-	-	-
3. Liabilities associated with assets undergoing disposal	-	-	-	-	-	-	-	-
Total	**6,836,535**	**-**	**-**	**6,836,535**	**5,668,639**	**-**	**-**	**5,668,639**

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

A.5 Disclosure on the so-called "day one profit/loss"

The company did not carry out any transactions which generated the so-called "day one profit/loss",

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – Item 10

(thousands of €)

	31/12/2016	31/12/2015
a) Cash	14	19
b) Unrestricted deposits with central banks	-	-
Total	**14**	**19**

The item comprises cash and cash equivalents and revenue stamps at company headquarters for EUR 14 thousand.

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

4.1 Breakdown of Item 40 "Available-for-sale financial assets"

(thousands of €)

Items/Balances	31/12/2016 Level 1	31/12/2016 Level 2	31/12/2016 Level 3	31/12/2015 Level 1	31/12/2015 Level 2	31/12/2015 Level 3
1 Debt securities	-	-	-	-	-	-
Structured securities	-	-	-	-	-	-
Other debt securities	-	-	-	-	-	-
2 Equity investments and UCI units	-	-	7,285	-	-	8,281
3 Loans	-	-	-	-	-	-
Total	**-**	**-**	**7,285**	**-**	**-**	**8,281**

The item concerns unlisted equity investments held by Ifitalia in the companies detailed below:

(thousands of €)

DESCRIPTION	No. of Ifitalia shares	Holding %	Nominal value	Book value
Unlisted securities:				
Serfactoring SpA Via Fabiani 1 B 20097 San Donato Milanese Share capital EUR 5,160,000	180,000	18%	929	5,058
Business Partner Italia ScpA Via Vittorio Veneto 119 00187 Roma Share capital EUR 5,710,300	172,111	3.01%	172	172
Other holdings				2,055
Total				7,285

The amount of EUR 2,055 thousand (EUR 3,050 thousand in 2015), recorded in the item “other” refers to the investment holdings held by Ifitalia inherent to cinema productions. During the year reimbursements were made for EUR 995 thousand. It has not been possible to reliably establish the fair value of the investments since they are not traded on an active market.

4.2. Available-for-sale financial assets: breakdown by debtor/issuer

(thousands of €)

Items/Balances	**31/12/2016**	**31/12/2015**
Financial assets		
a) Governments and Central Banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Financial institutions	5,058	5,057
e) Other issuers	2,227	3,224
Total	**7,285**	**8,281**

Section 6 – Loans and receivables - Item 60

(thousands of €)

Breakdown	**Total 31/12/2016**	**Total 31/12/2015**
Deposits and current accounts	4,310	7,351
Factoring receivables	6,869,367	5,885,469
- with recourse	1,532,826	1,649,826
- without recourse	5,336,541	4,235,643
Other loans	679,810	486,544
Other assets	-	-
Total	7,553,487	6,379,364
Total Fv	**7,553,487**	**6,379,364**

6.1 "Due from banks"

(thousands of €)

Breakdown	Total 31/12/2016				Total 31/12/2015			
	Book Value	Fair Value			Book Value	Fair Value		
		L 1	L 2	L 3		L 1	L 2	L 3
1. Deposits and current accounts	4,310	-	-	4,310	7,351	-	-	7,351
2. Loans	135,024	-	-	135,024	194,173	-	-	194,173
2.1 Repurchase agreements		-	-	-		-	-	-
2.2 Financial leasing		-	-	-		-	-	-
2.3 Factoring	135,024	-	-	135,024	194,173	-	-	194,173
- with recourse	118,796	-	-	118,796	180,763	-	-	180,763
- without recourse	16,228	-	-	16,228	13,410	-	-	13,410
2.4 Other loans		-	-	-		-	-	-
3. Debt securities		-	-			-	-	
- structured securities	-	-	-	-	-	-	-	-
- other debt securities								
4. Other assets	-	-	-	-	-	-	-	-
Total	**139,334**	**-**	**-**	**139,334**	**201,524**	**-**	**-**	**201,524**

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

The item "Deposits and current accounts" concerns the on-demand amounts due from lending institutions represented by temporary creditor balances of Euro and currency current accounts.

6.2 "Due from financial institutions"

(thousands of €)

Breakdown	Total 31/12/2016						Total 31/12/2015					
	Book Value			Fair Value			Book Value			Fair Value		
	Performing	Impaired		L 1	L 2	L 3	Performing	Impaired		L 1	L 2	L 3
		Purchased	Other					Purchased	Other			
1. Deposits and current accounts	-	-	-	-	-	-	-	-	-	-	-	-
2. Loans	146,611	-	723	-	-	147,334	221,766	-	3	-	-	221,769
2.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Financial leasing	-	-	-	-	-	-	-	-	-	-	-	-
2.3. Factoring	146,611	-	723	-	-	147,334	221,766	-	3	-	-	221,769
- with recourse	117,111	-	622	-	-	117,733	64,794	-	-	-	-	64,794
- without recourse	29,500	-	101	-	-	29,601	156,972	-	3	-	-	156,975
2.4 Other loans	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	**146,611**	**-**	**723**	**-**	**-**	**147,334**	**221,766**	**-**	**3**	**-**	**-**	**221,769**

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

6.3 “Due from customers”

(thousands of €)

Breakdown	Total 31/12/2016						Total 31/12/2015					
	Book Value			Fair Value			Book Value			Fair Value		
	Performing	Impaired		L 1	L 2	L 3	Performing	Impaired		L 1	L 2	L 3
		Purchased	Other					Purchased	Other			
1. Loans	6,990,539	-	276,280	-	-	7,266,819	5,575,342	-	380,729	-	-	5,956,071
1.1 Financial leasing	-	-	-	-	-	-	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	6,310,729	-	276,280	-	-	6,587,009	5,088,798	-	380,729	-	-	5,469,527
- with recourse	1,150,762	-	145,535	-	-	1,296,297	1,185,686	-	218,583	-	-	1,404,269
- without recourse	5,159,967	-	130,745	-	-	5,290,712	3,903,112	-	162,146	-	-	4,065,258
1.3 Consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Loans on pledge	-	-	-	-	-	-	-	-	-	-	-	-
1.6. Loans granted in relation to the payment services performed	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other loans	679,810	-	-	-	-	679,810	486,544	-	-	-	-	486,544
of which: from enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	-	-	-		-	-	-	-	-		-	-
Total	**6,990,539**	**-**	**276,280**	**-**	**-**	**7,266,819**	**5,575,342**	**-**	**380,729**	**-**	**-**	**5,956,071**

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

6.4 “Loans and Receivables": guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2016						Total 31/12/2015					
	Due from banks		Due from financial institutions		Due from customers		Due from banks		Due from financial institutions		Due from customers	
	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG	VE	VG
1. Performing assets guaranteed by:												
- Leased assets												
- Factoring receivables	118,627	118,627	115,636	115,636	1,221,162	1,218,423	180,763	180,763	64,794	64,794	1,185,686	1,185,686
- Mortgages					44	44						
- Pledges												
- Unsecured guarantees					710,889	442,027					49,185	44,767
- Derivatives on receivables												
2. Impaired assets guaranteed by:												
- Leased assets												
- Factoring receivables			596	596	141,439	141,416					218,583	218,583
- Mortgages											3,352	3,290
- Pledges												
- Unsecured guarantees					5,167	4,972					7,354	3,284
- Derivatives on receivables												
Total	**118,627**	**118,627**	**116,232**	**116,232**	**2,078,701**	**1,806,882**	**180,763**	**180,763**	**64,794**	**64,794**	**1,464,160**	**1,455,610**

VE = book value of exposures
VG = fair value of the guarantees (for the type of guarantees outstanding it equates to the contractual value)

Section 10 – Tangible assets – Item 100

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

(thousands of €)

Assets/Balances		31/12/2016	31/12/2015
1.	**Owned**	**18,809**	**19,847**
a)	land	13,186	13,186
b)	buildings	4,365	4,739
c)	furniture	159	243
d)	electronic systems	1,099	1,457
e)	other	-	222
2.	**Assets acquired under financial lease**	**-**	**-**
a)	land	-	-
b)	buildings	-	-
c)	furniture	-	-
d)	electronic systems	-	-
e)	other	-	-
	Total	**18,809**	**19,847**

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

(thousands of €)

Assets/Balances		31/12/2016				31/12/2015			
		Book Value	Fair Value			Book Value	Fair Value		
			L1	L2	L3		L1	L2	L3
1.	**Owned**	**2,863**		**2,863**		**2,871**		**2,871**	
	- land	1,029		1,029		1,029		1,029	
	- buildings	1,834		1,834		1,842		1,842	
2.	**Assets acquired under financial lease**	**-**				**-**			
a)	land	-				-			
b)	buildings	-				-			
	Total	**2,863**		**2,863**		**2,871**		**2,871**	

“Assets held for investment” are represented by certain leased parts of the owned property in Via Vittor Pisani 15, Milan and the property in Via Vittorio Veneto 7, Rome.

10.5 Tangible assets for business use: changes during the year

The tangible assets for business use of the company are all valued at cost.

(thousands of €)

			Land	Buildings	Furniture	Electronic systems	Other	Total
A.	**Gross opening balances**		**13,186**	**12,459**	**1,811**	**6,803**	**222**	**34,481**
A.1	**Total net impairment**			**(7,720)**	**(1,568)**	**(5,346)**		**(14,634)**
A.2	**Net opening balances**		**13,186**	**4,739**	**243**	**1,457**	**222**	**19,847**
B.	**Increases**				**22**	**281**		**303**
	B.1	Purchases				77	-	**77**
	B.2	Capitalised improvement costs						
	B.3	Value writebacks						
	B.4	Positive fair value changes booked to:						
		a) equity						
		b) income statement						
	B.5	Positive exchange rate differences						
	B.6	Transfers from properties held for investment						
	B.7	Other increases			22	204		**226**
C.	**Decreases**		**-**	**374**	**106**	**639**	**222**	**1,340**
	C.1	Sales			22			**22**
	C.2	Depreciation		374	84	639		**1,097**
	C.3	Value adjustments from impairment booked to:						
		a) equity						
		b) income statement						
	C.4	Negative fair value changes booked to:						
		a) equity						
		b) income statement						
	C.5	Negative exchange rate differences						
	C.6	Transfers to:						
		a) tangible assets held for investment						
		b) assets undergoing disposal						
	C.7	Other decreases					222	**222**
D.	**Gross closing balances**		**13,186**	**12,459**	**1,789**	**7,084**	**0**	**34,518**
D.1	**Total net impairment**			**(8,094)**	**(1,630)**	**(5,985)**		**- 15,709**
D.2	**Net closing balances**		**13,186**	**4,365**	**159**	**1,099**	**0**	**18,809**
E.	Valued at cost		**13,186**	**4,365**	**159**	**1,099**	**0**	**18,809**

10.6 Tangible assets held for investment: changes during the year

The tangible assets held for investment of the company are all valued at cost.

(thousands of €)

			31/12/2016	
			Land	**Buildings**
A.	**Opening balances**		**1,029**	**1,842**
B.	**Increases**		**-**	129
	B.1	Purchases		111
	B.2	Capitalised improvement costs		
	B.3	Positive fair value changes		
	B.4	Value writebacks		
	B.5	Positive exchange rate differences		
	B.6	Transfers from properties for business use	-	0
	B.7	Other increases		18
C.	**Decreases**		**-**	137
	C.1	Sales		0
	C.2	Depreciation		137
	C.3	Negative net fair value changes		
	C.4	Value adjustments from impairment		
	C.5	Negative exchange rate differences		
	C.6	Transfers to other asset portfolios:		
		a) properties for business use		
		b) non current assets undergoing disposal		
	C.7	Other decreases		
D.	**Closing balances**		**1,029**	**1,834**
E.	**Valued at fair value**		**1,029**	**1,834**

In the financial statements, the value of the land is separated from the company's property located in Milan (Via Vittor Pisani), on the basis of the estimate of the company which appraised the property in 2000, assigning the land a value equating to 55% of the revalued historic cost recorded in the financial statements for the property (monetary revaluation as per Italian Law No. 342 dated 21 November 2000).

The value of the land for the property located in Rome (Via V. Veneto) has not been spun-off, since Ifitalia does not own the entire building.

The gross book value of the tangible fixed assets as at 31 December 2016 amounted to EUR 41,695 thousand, with a balance of accumulated depreciation totalling EUR 20,023 thousand.

Section 11 – Intangible assets – Item 110

11.1 Breakdown of item 110 "Intangible assets"

(thousands of €)

			Total
A.	**Opening balances**		**7,679**
B.	**Increases**		**2,962**
	B.1	Purchases	2,962
	B.2	Value writebacks	-
	B.3	Positive fair value changes	-
		- equity	-
		- income statement	-
	B.4	Other increases	-
C.	**Decreases**		**1,586**
	C.1	Sales	-
	C.2	Depreciation	1,586
	C.3	Value adjustments	-
		- equity	
		- income statement	-
	C.4	Negative fair value changes	-
		- equity	
		- income statement	
	C.5	Other decreases	-
D.	**Net closing balances**		**9,055**

The IT costs attributable to internal software development projects amount to EUR 1,679 thousand.
The intangible fixed assets also include "software licenses" for EUR 542 thousand (EUR 597 thousand in 2015) and "software development" for EUR 6,834 thousand (EUR 5,510 thousand in 2015).

11.2 Tangible assets: changes during the year

(thousands of €)

			Total
A.	**Opening balances**		**7,679**
B.	**Increases**		**2,963**
	B.1	Purchases	2,963
	B.2	Value writebacks	-
	B.3	Positive fair value changes	-
		- equity	-
		- income statement	-
	B.4	Other increases	-
C.	**Decreases**		**1,586**
	C.1	Sales	-
	C.2	Depreciation	1,586
	C.3	Value adjustments	-
		- equity	
		- income statement	-
	C.4	Negative fair value changes	-
		- equity	
		- income statement	
	C.5	Other decreases	-
D.	**Net closing balances**		**9,056**

The purchases during the year, amounting to EUR 2,962 thousand, refer to capitalisations of IT costs, of which EUR 496 thousand (EUR 438 thousand in 2015) referring to capitalisation of internal effort.

Section 12 – Tax assets and tax liabilities

12.1 Breakdown of item 120 “Tax assets: current and prepaid”

(thousands of €)

	31/12/2016				31/12/2015			
	IRES	IRAP	other	total	IRES	IRAP	other	total
Current tax assets:								
- Tax advances	14,961	4,039	471	19,471	24,236	6,533	500	31,269
- Amounts withheld	30	-	-	30	391	-	-	391
- Tax credits pending rebate by the tax authorities	2,215	-	-	2,215	2,215	-	-	2,215
	17,206	**4,039**	**471**	**21,716**	**26,842**	**6,533**	**500**	**33,875**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	33,961	3,688	-	37,649	35,774	3,882	-	39,656
- Provisions for risks and charges	4,330	48	-	4,378	4,640	38	-	4,678
- Other	106	-	-	106	93	-	-	93
	38,397	**3,736**	**-**	**42,133**	**40,507**	**3,920**	**-**	**44,427**
Total	**55,603**	**7,775**	**471**	**63,849**	**67,349**	**10,453**	**500**	**78,302**

12.2 Breakdown of item 70 “Tax liabilities: current and deferred”

(thousands of €)

	31/12/2016			31/12/2015		
	IRES	IRAP	total	IRES	IRAP	total
Current tax liabilities:						
- Taxes for the year	11,133	3,673	14,806	17,217	4,180	21,397
	11,133	**3,673**	**14,806**	**17,217**	**4,180**	**21,397**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets	1,548	313	1,861	1,548	313	1,861
- Provision for employee termination benefits	278	-	278	55	-	55
- Tax writedowns of credits	-	-	-	-	-	-
	1,826	**313**	**2,139**	**1,603**	**313**	**1,916**
Total	**12,959**	**3,986**	**16,945**	**18,820**	**4,493**	**23,313**

12.3 Change in prepaid taxes (matching balance in income statement)

	31/12/2016	31/12/2015
1. Opening balance	**44,327**	**40,966**
2. Increases	**1,656**	**11,384**
2.1 Prepaid taxes recorded during the year	1,578	11,384
a) relating to previous years	-	40
b) due to change in accounting policies		
c) value writebacks		
d) other	1,578	11,344
2.2 New taxes or increases in tax rates		
2.3 Other increases	78	
2.4 Other increases due to business combination		
3. Decreases	**3,957**	**8,023**
3.1 Prepaid taxes cancelled during the year	3,957	8,015
a) amounts reversed	3,957	7,988
b) writedowns due to non-recoverability		
c) due to change in accounting policies		
d) other	-	27
3.2 Reductions in tax rates		
3.3 Other decreases	-	8
a) transformation into tax credits pursuant to Law 214/2011		
b) other	-	8
4. Closing balance	**42,026**	**44,327**

The prepaid tax assets have been recorded in the financial statements on the basis of the supposition that taxable income will be generated against which the deductible timing differences can be used.

The increase of EUR 1,656 thousand is almost fully comprised of the non-deductible portion of receivables in 2016; the reduction of EUR 3,957 thousand relating to prepaid taxes cancelled during the year, concern the deductible portion of receivables (EUR 1,982 thousand) and the use of the risk and charges provisions (EUR 1,975 thousand).

12.3.1 Change in prepaid taxes pursuant to Law 214/2011 (matching balance in income statement)

(thousands of €)

		31/12/2016	31/12/2015
1.	**Opening balance**	**39,656**	**37,307**
2.	**Increases**	**-**	**9,940**
3.	**Decreases**	**2,008**	**7,591**
3.1	Amounts reversed	2,008	7,591
3.2	Transformation into tax credits	-	-
	a) from losses for the year		
	b) from tax losses		
3.3	Other decreases	-	-
4.	**Closing balance**	**37,648**	**39,656**

12.4 Changes in deferred taxes (matching balance in income statement)

(thousands of €)

		31/12/2016	31/12/2015
1.	**Opening balances**	**1,861**	**1,861**
2.	**Increases**	**-**	**-**
2.1	Deferred taxes recorded during the year	-	-
	a) relating to previous years	-	-
	b) due to change in accounting policies	-	-
	c) other	-	-
2.2	New taxes or increases in tax rates	-	-
2.3	Other increases	-	-
3.	**Decreases**	**-**	**-**
3.1	Deferred taxes cancelled during the year	-	-
	a) amounts reversed	-	-
	b) due to change in accounting policies	-	-
	c) other	-	-
3.2	Reductions in tax rates	-	-
3.3	Other decreases	-	-
4.	**Closing balance**	**1,861**	**1,861**

12.5 Changes in prepaid taxes (matching balance under equity)

(thousands of €)

		31/12/2016	31/12/2015
1.	**Opening balance**	**100**	**88**
2.	**Increases**	**6**	**12**
2.1	Prepaid taxes recorded during the year	6	12
	a) relating to previous years		
	b) due to change in accounting policies		
	c) other	6	12
2.2	New taxes or increases in tax rates		
2.3	Other increases		
3.	**Decreases**		
3.1	Prepaid taxes cancelled during the year		
	a) amounts reversed		
	b) writedowns due to non-recoverability		
	c) due to change in accounting policies		
	d) other		
3.2	Reductions in tax rates		
3.3	Other decreases		
4.	**Closing balance**	**106**	**100**

12.6 Changes in deferred taxes (matching balance under equity)

(thousands of €)

	31/12/2016	31/12/2015
1. Opening balance	**55**	**55**
2. Increases	**223**	**-**
2.1 Deferred taxes recorded during the year	223	-
a) relating to previous years		
b) due to change in accounting policies		
c) other	223	-
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred taxes cancelled during the year		
a) amounts reversed		
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases	-	-
4. Closing balance	**278**	**55**

Section 14 – Other assets – Item 140

14.1 Breakdown of item 140 "Other assets"

(thousands of €)

	31/12/2016	31/12/2015
Guarantee deposits	10	12
Amounts receivable for supply of services/advance payments	152	62
Items in transit	12	361
Securities credited to customers subject to collection services awaiting collection from the bank	1,505	15,644
Other amounts receivable	12,730	18,239
Total	**14,409**	**34,318**

LIABILITIES

Section 1 – Payables – Item 10

Payables

(thousands of €)

Items	31/12/2016			31/12/2015		
	due to banks	due to financial institutions	due to customers	due to banks	due to financial institutions	due to customers
1. Loans	5,639,832	140,000		5,147,769		
1.1. Reverse repurchase agreements						
1.2 other	5,639,832	140,000		5,147,769		
2. Other payables	801,896		254,807	248,096		272,774
Total	**6,441,728**	**140,000**	**254,807**	**5,395,865**	**-**	**272,774**
Fair value - level 1						
Fair value - level 2						
Fair value - level 3	6,441,728	140,000	254,807	5,395,865		272,774
Total fair value	**6,441,728**	**140,000**	**254,807**	**5,395,865**	**-**	**272,774**

Payables due to banks are almost entirely represented by the exposure to the Parent Company BNP Paribas.
Point 1.2 (Other loans due to banks) concerns loans falling due, while the item relating to payables due to financial institutions represents the liability concerning the securitisation transaction. Item 2 (Other payables to customers) concerns the payables due to transferors for the portion of the fee not advanced relating to without recourse loans/receivables.

Section 3 – Financial trading liabilities – Item 30

3.1 Breakdown of item 30 "Financial trading liabilities"

(thousands of €)

Liabilities	Total 31/12/2016					Total 31/12/2015				
	Fair Value			FV	NV	Fair Value			FV	NV
	L1	L2	L3			L1	L2	L3		
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-
1. Payables										
3. Debt securities	-	-	-	-	-	-	-	-	-	-
- Bonds	-	-	-	-	-	-	-	-	-	-
- Structured										
- Other bonds										
- Other securities	-	-	-	-	-	-	-	-	-	-
- Structured										
- Other										
B. Derivatives	-	359	-	359	3,123	-	491	-	491	3,784
1. Financial derivatives	-	359	-	359	3,123	-	491	-	491	3,784
2. Loan derivatives										
Total	-	359	-	359	3,123	-	491	-	491	3,784

L1= Level 1
L2= Level 2
L3= Level 3
NV= Nominal/notional value
Fv*= Fair value calculated excluding the changes on variation of the credit worthiness of the issuer with respect to the issue date.

3.3 "Financial trading liabilities": derivative financial instruments

(thousands of €)

Liabilities	Interest rates	Currencies	Investment securities	Other	Total 31/12/2016	Total 31/12/2015
1. Over the counter						
Financial derivatives						
- Fair value	359				359	491
- Notional value	3,123				3,123	3,784
Loan derivatives						
- Fair value					-	
- Notional value					-	
Total	359	-	-	-	359	491
2. Other						
Financial derivatives						
- Fair value						
- Notional value						
Loan derivatives						
- Fair value						
- Notional value						
Total	-	-	-	-	-	-
Total	**359**	**-**	**-**	**-**	**359**	**491**

Section 9 – Other liabilities – Item 90

9.1 Breakdown of item 90 "Other liabilities"

(thousands of €)

Description	Total 31/12/2016	Total 31/12/2015
Collections being registered	65,912	126,009
Amounts due to employees	1,345	1,369
Amounts due to the tax authorities	485	646
Amounts due to social security and welfare institutions	924	874
Payables and invoices to be received from suppliers and professionals	19,340	18,636
Liabilities due to transferors	6,633	17,737
Other payables	9,245	10,676
Advances from customers	26,371	20,986
Residual holiday entitlement fund	428	425
Expected loss for without-recourse credit risk recorded among commitments	1,527	1,705
Total	**132,209**	**199,063**

Section 10 − Provision for employee termination benefits − Item 100

10.1 “Provision for employee termination benefits”: changes during the year

(thousands of €)

		Total 31/12/2016	Total 31/12/2015
A.	**Opening balances**	**5,226**	**5,361**
B.	**Increases**	**73**	**119**
B.1	Provision for the year	51	74
B.2	Other increases	22	45
C.	**Decreases**	**387**	**254**
C.1	Payments made	372	140
C.2	Other decreases	15	114
D.	**Closing balances**	**4,912**	**5,226**

(*) The provision for employment termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 4,912 thousand and represents the actual obligation towards the employees.

10.2 Other information

The provision for employment termination benefits reflects the company’s commitment *vis-à-vis* all its employees as of the balance sheet date, and is a worker’s right disciplined by Article 2120 of the Italian Civil Code, Italian Laws No. 297/1982 and No. 296/2006, the national collective labour agreement and the supplementary in-house agreement.
The closing balance of EUR 4,912 thousand represents the portion of employee termination benefits (TFR) accrued up until 31 December 2006, which have remained in-house and which will have to be disbursed by the Company to the employees in accordance with the previous statutory regulations.
The employees have the faculty to request the disbursement of an advance on the benefit (TFR) for a series of reasons established by law and internal regulations (costs for medical treatment, purchase of first home, etc.).
The provision in accordance with the matters envisaged by IAS 19 has been recorded as a benefit subsequent to the employment relationship with defined benefits, and determined using the actuarial method described in the Accounting Standards.
For 2016, a discounting back rate of 1% was used, as in 2015.

Since 1 January 2013, the company has applied the new IAS 19 “Employee benefits” which amended the accounting treatment to be used by a company to account for the benefits disbursed to employees and the related supplementary information. Based on the new standard, in particular the company eliminated the corridor method and classified the re-determined value as other comprehensive income (OCI). The amount previously recorded off-balance sheet (in the “corridor”) for the employee termination benefits was recognised in the provision matching balance under equity.

Section 11 – Provisions for risks and charges − Item 110

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

(thousands of €)

	Total 31/12/2016	Total 31/12/2015
1. In-house pension funds		
2. Other provisions for risks and charges	12,724	12,835
2.1 legal disputes	7,684	6,997
2.2 revocation actions	3,631	3,619
2.3 personnel charges	1,409	2,220
Total	**12,724**	**12,835**

11.2 Changes during the year of item 110 "Provisions for risks and charges"

(thousands of €)

		Pension funds	Other	Total 31/12/2016	Total 31/12/2015
A.	**Opening balances**	-	**12,835**	**12,835**	**11,254**
B.	**Increases**	-	**4,428**	**4,428**	**2,957**
B.1	Provision for the year		3,848	3,848	2,897
B.2	Changes due to passage of time		57	57	60
B.3	Changes due to variation in discount rate			-	
B.4	Other increases		523	523	
C.	**Decreases**		**4,539**	**4,539**	**1,376**
C.1	Use during the year		3,206	3,206	504
C.2	Changes due to variation in discount rate				
C.3	Other decreases		1,333	1,333	872
D.	**Closing balances 31/12/2012**	-	**12,724**	**12,724**	**12,835**

Section 12 – Equity – Items 120, 150, 160 and 170

12.1 Breakdown of item 120 "Share capital"

(thousands of €)

Type	amount
1. Share capital	
1.1 Ordinary shares	55,900
1.2 Other shares	

The ordinary shares totalling 55,900 have been fully subscribed and paid up.

12.4 Breakdown of item 150 "Share premium reserve"

(thousands of €)

Type	amount
Share premium	
Share premium	61,799

The share capital and the share premium reserve have not changed with respect to 31 December 2015. Item 120, Share capital, now amounts to EUR 55,900 thousand and is made up of 55,900,000 shares with a par value of EUR 1 each.

12.5 Other information

Breakdown and changes in item 160 "Reserves"

(thousands of €)

	Legal reserve	Statutory reserve	Other	Total
A. Opening balances	**11,180**	**427,189**	**11,573**	**449,942**
B. Increases	**-**	**44,534**	**-**	**44,534**
B.1 Allocations of profits	-	44,534	-	44,534
B.2 Other increases	-	-		0
C. Decreases	**-**	**-**	**-**	**0**
C.1 Uses	-	-	-	0
coverage of losses	-	-	-	0
distribution				0
transfer to capital				0
C.1 Other decreases	-	-	-	0
D. Closing balances	**11,180**	**471,723**	**11,573**	**494,476**

Breakdown and changes in item 170 "Valuation reserves"

(thousands of €)

	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedging of financial flows	Special revaluation laws	Other	**Total**
A. Opening balances	**3,964**	**-**	**-**	**-**	**5,870**	**(896)**	**8,938**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Positive fair value changes	-	-	-	-	-	-	-
B.2 Other increases	-	-	-	-	-	-	-
C. Decreases	**223**	**-**	**-**	**-**	**-**	**16**	**239**
C.1 Negative fair value changes							-
C.1 Other decreases	223	-	-	-	-	16	239
D. Closing balances	**3,741**	**-**	**-**	**-**	**5,870**	**(912)**	**8,699**

With regards to the provisions of Article 2427 of the Italian Civil Code, No. 7 *bis*, the following table provides an analytical breakdown of equity items by origin, potential use and distributable nature. No use was made in the last three years.

(thousands of €)

Ifitalia S.p.A. - Financial Statements as at 31 December 2016				
	Amount	Potential use		Amount available
Share capital	55,900	-		-
Capital reserve:				
Share premium reserve	61,799	A-B-C		61,799
Valuation reserve	8,699	-	(1)	-
Profit reserve:				
Legal reserve	11,180	B		
Statutory reserve	471,723	A-B-C		471,723
Stock options/Dspp/Freeshares reserve	102	A-B-C		102
FTA Reserve and Goodwill	10,442	A-B-C		10,442
Merger surplus	1,029	A-B-C		1,029
Profit for the year	45,214	A-B-C		45,214
Total	**666,088**	**-**		**590,309**

Key:
A: share capital increase
B: coverage of losses
C: distribution to shareholders
(1) As provided for by art. 6 of Legislative Decree no. 38 of 28 February 2005, the valuation reserves formed in accordance with IAS be distributed and are unavailable for allocation to capital, coverage of losses and the uses provided for by articles 2350 third section, 2357 first section, 2358 third section, 2359-bis first section, 2342,2478-bis fourth section of the Italian Civil Code

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

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

(thousands of €)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2016	Total 31/12/2015
1. Financial assets held for trading				-	-
2. Financial assets at fair value					-
3. Available-for-sale financial assets				-	-
4. Held-to-maturity financial assets				-	-
5. Receivables				-	-
5.1 Due from banks		732	3	735	759
5.2 Due from financial institutions		238	-	238	2,519
5.3 Due from customers		69,988	1,809	71,797	77,098
6. Other assets	X		-	-	1
7. Hedging derivatives	X	X		-	
Total	**-**	**70,958**	**1,812**	**72,770**	**80,377**

As at 31 December 2016 interest (other than interest recognised under "value write-backs") accrued during the year on positions classified as "impaired" at the reporting date came to EUR 2,865 thousand.

1.2 Interest and similar income: other information

The interest in item "3. Receivables" essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.

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

(thousands of €)

Items/Technical forms	Loans	Debt	Other	Total 31/12/2016	Total 31/12/2015
1. Due to banks	(482)	X		(482)	7,690
2. Due to financial institutions		X		-	-
3. Due to customers	-	X		-	-
4. Securities issued	X			-	-
5. Financial liabilities held for trading				-	-
6. Financial liabilities at fair value				-	-
7. Other liabilities	X	X		-	-
8. Hedging derivatives	X	X		-	-
Total	**(482)**	**-**	**-**	**-482**	**7,690**

As at 31 December 2016 this included interest expense with negative rates for EUR 3,477 thousand.

Section 2 – Commissions – Items 30 and 40

2.1 Breakdown of item 30 "Commission income"

(thousands of €)

Analysis	31/12/2016	31/12/2015
1. financial lease transactions		
2. factoring transactions	62,015	74,251
3. consumer credit		
4. guarantees given		
5. services:		
- fund management for third parties		
- exchange brokerage		
- distribution of products		
- other		
6. collection and payment services		
7. servicing in securitisation transactions		
8. other commission		
Total	**62,015**	**74,251**

2.2 Breakdown of item 40 "Commission expense"

(thousands of €)

Detail/Sectors	31/12/2016	31/12/2015
1. guarantees received	966	1,076
2. distribution of services to third parties	-	-
3. collection and payment services	1,964	2,379
4. other commission	8,690	6,633
of which: brokerage	8,690	6,633
Total	**11,620**	**10,088**

Section 3 – Dividends and similar income – Item 50

3.1 Breakdown of item 50 "Dividends and similar income"

(thousands of €)

Items/Income	Total 31/12/2016		Total 31/12/2015	
	Dividends	Income from UCI units	Dividends	Income from UCI units
1. Financial assets held for trading	-	-	-	-
2. Available-for-sale financial assets	118	-	430	-
3. Financial assets at fair value	-	-	-	-
4. Investments		-		-
Total	**118**	**-**	**430**	**-**

Section 4 – Net trading profit (loss) – Item 60

4.1 Breakdown of item 60 "Net trading profit (loss)"

(thousands of €)

Analysis	Capital gains	Trading gains	Capital losses	Trading losses	Net result
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Investment securities and UCI units	-	-	-	-	-
1.3 Loans	-	-	-	-	-
1.4 Other assets	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**(20)**	**-**	**-**	**-**	**(20)**
4. Financial derivatives	**133**	-			**133**
5. Derivatives on receivables	**-**	**-**			**-**
Total	**113**	**-**	**-**	**-**	**113**

Section 7 – Gain (loss) on disposal or repurchase - Item 90

7.1 Breakdown of item 90 "Gain (loss) on disposal or purchase"

(thousands of €)

Transactions/Income components	31/12/2016			31/12/2015		
	Gains	Losses	Net result	Gains	Losses	Net result
1. Financial assets	**-**	**1**	**1**	**-**	**-**	**-**
1.1 Receivables	-	-	-	-	-	-
1.2 Available-for-sale financial assets	-	1	1	-	-	-
1.3 Held-to-maturity financial assets	-	-	-	-	-	-
Total (1)		1	1		-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Payables	-	-	-	-	-	-
2.2 Securities issued	-	-	-	-	-	-
Total (2)	**-**	**-**			**-**	
Total (1+2)	**-**	**1**	**1**	**-**	**-**	**-**

Section 8 – Net value adjustments for impairment - Item 100

8.1 "Net value adjustments/writebacks for impairment of loans/receivables"

(thousands of €)

Transactions/Income components	Value adjustments		Value writebacks		Total 31/12/2016	Total 31/12/2015
	Specific	Portfolio	Specific	Portfolio		
1. Due from banks						
- for leasing						
- for factoring						
- other amounts receivable						
2. Due from financial institutions						
Impaired receivables acquired						
- for leasing						
- for factoring						
- other amounts receivable						
Other amounts receivable						
- for leasing						
- for factoring			3,420		3,420	1,283
- other amounts receivable						
3. Due from customers						
Impaired receivables acquired						
- for leasing						
- for factoring						
- for consumer credit						
- other amounts receivable						
Other amounts receivable						
- for leasing						
- for factoring	(28,996)		10,304	1,314	(17,378)	(31,032)
- for consumer credit						
- loans on pledge						
- other amounts receivable						
C. Total	**(28,996)**		**13,724**	**1,314**	**(13,958)**	**(29,749)**

8.4 Net value adjustments for impairment of other financial transactions: breakdown

(thousands of €)

Transactions/Income components	Value adjustments		Value writebacks		TOTAL	TOTAL
	Specific	Portfolio	Specific	Portfolio	31/12/2016	31/12/2015
A. Guarantees given	(82)		325	(62)	**181**	**(911)**
B. Derivatives on receivables						
C. Commitments to grant funds						
D. Other transactions						
E. Total	**(82)**		**325**	**(62)**	**181**	**(911)**

Key
A= from interest
B= other writebacks

Section 9 – Administrative expenses – Item 110

9.1 Breakdown of item 110.a "Personnel expenses"

Type of expense/Balances			**31/12/2016**	**31/12/2015**
1)	**Employees**		**16,906**	**17,038**
	a)	wages and salaries	11,468	11,528
	b)	social security contributions	3,361	3,431
	c)	termination benefits	-	-
	d)	social security and welfare costs	-	-
	e)	provision for termination benefits	51	74
	f)	provisions for post-employment benefits and similar obligations:	449	485
		- defined contribution	449	485
		- defined benefit	-	-
	g)	payments to supplementary outside pension funds:	753	762
		- defined contribution	753	762
		- defined benefit	-	-
	h)	other expenses (net)	824	758
2)	**Other active employees**		178	98
3)	**Directors and Statutory Auditors**		149	124
4)	**Retired personnel**		-	-
5)	**Expense recharges for employees seconded with other companies**		(362)	(321)
6)	**Expense reimbursements for third-party employees seconded with the company**		2,540	2,628
		Total	**19,411**	**19,567**

9.2 Average number of employees by category

	31/12/2016	31/12/2015
Employees	**216**	**219**
a) Executives	7	7
b) 3rd and 4th level managers	81	83
b) 1st and 2nd level managers	41	41
d) Remaining employees	87	88
Other employees	**20**	**21**
Total	**236**	**240**

9.3 Breakdown of item 110.b “Other administrative expenses”

(thousands of €)

Type of expense/Balances	31/12/2016	31/12/2015
Indirect expenses and dues	**1,104**	**1,300**
Sundry services rendered by third parties	**7,773**	**7,341**
Sundry services rendered by third parties (IT)	7,290	7,086
Sundry services rendered by third parties (Internal Auditing)	483	255
Fees for professionals	**4,158**	**3,754**
Fees for consultancy	955	1,405
Fees for legal and notarial costs	1,940	1,400
Fees for debt collection	1,168	841
Compensation to independent Auditors	96	108
Costs relating to properties/furniture	**354**	**419**
Postal, printed matter, surveillance of premises and stock values	**1,779**	**2,108**
Management expenses GFCC	**506**	**360**
Advertising and entertainment	**248**	**157**
Searches and information	**1,334**	**1,276**
Other expenses	**7,378**	**7,505**
TOTAL	**24,633**	**24,220**

The compensation for services rendered by the audit company, accrued in 2016, net of VAT and of the expenses incurred to carry out the work is summarised below: audit service EUR 80,000.

Section 10 – Net value adjustments/writebacks on tangible assets – Item 120

10.1 Breakdown of item 120 "Net value adjustments/writebacks on tangible assets"

(thousands of €)

Asset/Income component	Depreciation	Value adjustments for impairment	Value writebacks	Net result
1. Assets for business use	**1,097**	**-**	**-**	**1,097**
1.1 owned	**1,097**	**-**	**-**	**1,097**
a) land	-	-	-	-
b) buildings	374	-	-	374
c) furniture	84	-	-	84
d) operating assets	639	-	-	639
e) other	-	-	-	-
1.2 acquired under financial lease		**-**	**-**	**-**
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) operating assets	-	-	-	-
e) other	-	-	-	-
2 Assets held for investment	**137**	**-**	**-**	**137**
2.1 owned	**137**	-	-	**137**
b) buildings	137	-	-	137
Total	**1,234**	**-**	**-**	**1,234**

Section 11 – Net value adjustments/writebacks on intangible assets – Item 130

11.1 Breakdown of item 130 "Net value adjustments/writebacks on intangible assets"

(thousands of €)

Items/Value adjustments and writebacks	Depreciation	Value adjustments for impairment (B)	Value writebacks	**Net result**
1. Goodwill	**-**	**-**	**-**	**-**
2. Other intangible assets	**1,586**	**-**	**-**	**1,586**
2.1 owned	1,586	-	-	1,586
2.2 acquired under financial lease	-	-	-	-
3. Assets pertaining to financial lease	**-**	**-**	**-**	**-**
4. Assets granted under operating lease	**-**	**-**	**-**	**-**
Total	**1,586**	**-**	**-**	**1,586**

Section 13 – Net provisions for risks and charges – Item 150

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

(thousands of €)

Analysis	Total 31/12/2016	Total 31/12/2015
PROVISIONS	**(3,848)**	**(2,265)**
Legal disputes	(3,848)	(2,265)
Revocation actions		(203)
Pending disputes	(3,848)	(2,062)
Personnel charges		
Other provisions		
USES		**850**
Legal disputes		*850*
Revocation actions		850
Pending disputes		
Personnel charges		
Other uses		
INTEREST FROM DISCOUNTING BACK	**(56)**	**(60)**
Legal disputes	(56)	(60)
Revocation actions	(13)	(30)
Pending disputes	(44)	(30)
Total	**(3,905)**	**(1,475)**

Section 14 – Other operating income and expenses – Item 160

14.1 Breakdown of item 160 "Other operating income"

(thousands of €)

Analysis	Total 31/12/2016	Total 31/12/2015
Other income		
Rental income	853	829
Other income	3,409	3,652
Other charges		
Losses for sundry causes	(622)	
Other charges	(927)	(1,110)
Total	**2,713**	**3,371**

Section 17 – Income taxes for the year on current operations – Item 190

17.1 Breakdown of item 190 "Income taxes for the year on current operations"

(thousands of €)

Income components/Balances		31/12/2016	31/12/2015
1.	Current taxes	(14,699)	21,133
2.	Changes in current taxes for previous years	171	9
3.	Reduction in current taxes for the year	-	-
3.bis	Reduction in current taxes for the year for tax credits of which under Law no. 214/2011	-	-
4.	Change in prepaid taxes	(2,301)	(3,369)
5.	Change in deferred taxes		
	Taxes for the year	**(16,829)**	**17,773**

17.2 Reconciliation between the theoretical tax liability and the effective tax liability in the financial statements

(thousands of €)

Analysis	IRES	IRAP
Economic result useful for calculating taxation	62,043	62,043
Permanent non-deductible differences	633	7,065
Permanent non-taxable differences	(14,522)	
Total taxable income	48,154	69,108
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	13,242	3,835
Other differences	(77)	(172)
Effective tax liability as per financial statements	**13,166**	**3,663**

Section 19 – Income statement: other information

19.1 - Detailed breakdown of interest income and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total	Total
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers	31/12/2016	31/12/2015
1. Financial leasing								
- property assets								
- movable assets								
- operating assets								
- intangible assets								
2. Factoring	**333**	**4,075**	**68,362**	**94**	**380**	**61,541**	**134,785**	**154,628**
- on current receivables	333	4,075	67,578	94	380	61,691	134,151	153,868
- on future receivables			509			(150)	359	724
- on receivables acquired definitely								
- on receivables acquired under nominal value								
- for other loans			275				275	36
3. Consumer credit								
- personal loans								
- targeted finance								
- loans on salaries								
4. Loans on pledge								
5. Guarantees and commitments								
- commercial								
- financial								
Total	**333**	**4,075**	**68,362**	**94**	**380**	**61,541**	**134,785**	**154,628**

PART D – OTHER INFORMATION

Section 1 – Specific references to transactions carried out

B. FACTORING AND TRANSFER OF LOANS/RECEIVABLES

B.1 Gross and book values

B.1.1 Factoring transactions

(thousands of €)

Items/Counterpart		31/12/2016			31/12/2015		
		Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1.	**Performing assets**	**6,596,120**	**3,756**	**6,592,364**	**5,500,409**	**4,899**	**5,495,510**
	- exposures to transferors (with recourse)	1,388,142	1,473	1,386,669	1,433,170	1,953	1,431,217
	- factoring of future receivables	20,813	-	20,813	7,319	30	7,289
	- other	1,367,329	1,473	1,365,856	1,425,851	1,923	1,423,928
	- exposures to transferred debtors transferors (without recou	5,207,978	2,283	5,205,695	4,067,239	2,946	4,064,293
2.	**Impaired assets**	**566,396**	**289,393**	**277,003**	**673,378**	**283,419**	**389,959**
2.1	**Non-performing**	**289,892**	**201,631**	**88,261**	**265,939**	**175,308**	**90,631**
	- exposures to transferors (with recourse)	180,292	105,071	75,221	166,814	88,878	77,936
	- factoring of future receivables	10,370	5,586	4,784	-	-	-
	- other	169,922	99,485	70,437	166,814	88,878	77,936
	- exposures to transferred debtors (without recourse)	109,600	96,560	13,040	99,125	86,430	12,695
	- purchases below nominal value	-	-	-	-	-	-
	- other	109,600	96,560	13,040	99,125	86,430	12,695
2.2	**Unlikely to pay**	**236,070**	**85,355**	**150,715**	**333,291**	**105,325**	**227,966**
	- exposures to transferors (with recourse)	107,245	40,196	67,049	171,754	48,865	122,889
	- factoring of future receivables	5,988	2,900	3,088	-	-	-
	- other	101,257	37,296	63,961	171,754	48,865	122,889
	- exposures to transferred debtors transferors (without recou	128,825	45,159	83,666	161,537	56,460	105,077
	- purchases below nominal value	-	-	-	-	-	-
	- other	128,825	45,159	83,666	161,537	56,460	105,077
2.4	**Past due positions**	**40,434**	**2,407**	**38,027**	**74,148**	**2,786**	**71,362**
	- exposures to transferors (with recourse)	3,958	71	3,887	17,951	167	17,784
	- factoring of future receivables	-	-	-	-	-	-
	- other	3,958	71	3,887	17,951	167	17,784
	- exposures to transferred debtors transferors (without recou	36,476	2,336	34,140	56,197	2,619	53,578
	- purchases below nominal value	-	-	-	-	-	-
	- other	36,476	2,336	34,140	56,197	2,619	53,578
	Total	**7,162,516**	**293,149**	**6,869,367**	**6,173,787**	**288,318**	**5,885,469**

B.1.2 Purchase transactions for impaired receivables other than factoring

Nothing to report.

B.2 – Breakdown by residual life

B.2.1 – With recourse factoring transactions: advances and "total loans/receivables"

(thousands of €)

Maturity	Advances		Total loans/receivables	
	2016	2015	2016	2015
- on demand	359,016	205,154	2,487,063	673,255
- up to 3 months	711,906	723,481	4,463,833	2,100,629
- 3 to 6 months	184,157	199,144	964,813	529,426
- 6 months to 1 year	151,276	154,097	861,992	342,958
- beyond 1 year	126,471	367,949	470,750	310,568
- unspecified duration	-	-	-	-
Total	1,532,826	1,649,825	9,248,451	3,956,836

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Maturity	Exposures	
	2016	2015
- on demand	112,483	467,602
- up to 3 months	3,220,740	2,416,192
- 3 to 6 months	618,517	478,952
- 6 months to 1 year	692,002	521,642
- beyond 1 year	314,804	160,185
- unspecified duration	377,995	191,071
Total	5,336,541	4,235,644

B.2.3 – Purchase transactions for impaired receivables other than factoring

Nothing to report.

B.3 – Changes in value adjustments

B.3.1 Factoring transactions

(thousands of €)

Item	Opening value adjustments	Increases				Decreases					Closing value adjustments
		Value adjustments	Losses from sale	Transfer from other status	Other positive changes	Value writebacks	Profits on disposal	Transfer to other status	Cancellations	Other negative changes	
Specific adjustments on impaired assets	**283,419**	**31,669**	**-**	**19,665**	**-**	**(14,848)**	**-**	**(19,665)**	**(3,097)**	**(7,750)**	**289,393**
Exposures to transferors	137,910	18,559	-	6,439	-	(9,809)	-	(6,439)	(1,322)	-	145,338
- Non-performing	88,878	13,318	-	6,439	-	(2,242)	-	-	(1,322)	-	105,071
- Unlikely to pay	48,865	5,241	-	-	-	(7,471)	-	(6,439)	-	-	40,196
- Past due positions	167	-	-	-	-	(96)	-	-	-	-	71
Exposures to transferred debtors	145,509	13,110	-	13,226	-	(5,039)	-	(13,226)	(1,775)	(7,750)	144,055
- Non-performing	86,430	7,207	-	13,226	-	(1,565)	-	-	(1,391)	(7,347)	96,560
- Unlikely to pay	56,460	5,903	-	-	-	(3,191)	-	(13,226)	(384)	(403)	45,159
- Past due positions	2,619	-	-	-	-	(283)	-	-	-	-	2,336
Portfolio on other assets	**4,899**	**-**	**-**	**-**	**-**	**(1,143)**	**-**	**-**	**-**	**-**	**3,756**
Exposures to transferors	1,953	-	-	-	-	(480)	-	-	-	-	1,473
Exposures to transferred debtors	2,946	-	-	-	-	(663)	-	-	-	-	2,283
Total	**288,318**	**31,669**	**-**	**19,665**	**-**	**(15,991)**	**-**	**(19,665)**	**(3,097)**	**(7,750)**	**293,149**

B.3.2 Purchase transactions for impaired receivables other than factoring

Nothing to report.

B.4 – Other information

B.4.1 – Turnover of factored loans/receivables

(thousands of €)

Items	Total 31/12/2016	Total 31/12/2015
1. ***Without-recourse transactions***	24,792,757	20,145,742
of which: purchases below the nominal value	-	-
2. ***With-recourse transactions***	3,974,763	4,844,005
Total	**28,767,520**	**24,989,747**

Table drawn up in accordance with the standards illustrated in section A.2.3. "Loans/receivables – Classification".

B.4.2 – Collection services

(thousands of €)

Item	Total 31/12/2016	Total 31/12/2015
Loans and receivables collected in the year	366,426	596,750
Amount of loans and receivables at year end	129,108	127,374

B.4.3 – Nominal value of factoring contracts for future loans/receivables

(thousands of €)

Item	Total 31/12/2016	Total 31/12/2016
Flow of factoring contracts for future in the year	253,040	132,756
Amount of the contracts at year end	397,175	314,700

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 – Value of guarantees given and commitments

(thousands of €)

	Transactions	Amount 31/12/2016	Amount 31/12/2015
1)	Financial guarantees given upon first request	**147,504**	**187,776**
	a) Banks	19,426	36,709
	b) Financial institutions	25	66
	c) Customers	128,053	151,001
2)	Other financial guarantees given	**-**	**-**
	a) Banks	-	-
	b) Financial institutions	-	-
	c) Customers	-	-
3)	Commercial guarantees given	**-**	**-**
	a) Banks	-	-
	b) Financial institutions	-	-
	c) Customers	-	-
4)	Irrevocable commitments to grant funds	**263,002**	**196,581**
	a) Banks	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	b) Financial institutions	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Customers	263,002	196,581
	i) certain to be called on	-	-
	ii) uncertain to be called on	263,002	196,581
5)	Commitments underlying credit derivatives: protection sales	-	-
6)	Assets made to guarantee third party obligations	-	-
7)	Other irrevocable commitments	-	-
	Total	**410,506**	**384,357**

D.2 – Loans recorded in the financial statements due to enforcement

(thousands of €)

Exposures	31/12/2016			31/12/2015		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial						
- financial						
2. Impaired assets						
- from guarantees	**176,040**	**(131,365)**	**44,674**	**184,415**	**(127,872)**	**56,543**
- commercial						
- financial	176,040	(131,365)	44,674	184,415	(127,872)	56,543
Total	**176,040**	**(131,365)**	**44,674**	**184,415**	**(127,872)**	**56,543**

D.3 Guarantees given (secured or unsecured): status of risk undertaken and quality

(thousands of €)

Type of assumed risk	Not impaired guarantees given				Impaired guarantees given: non-performing				Other impaired guarantees			
	Counterguaranteed		Other		Counterguaranteed		Other		Counterguaranteed		Other	
	Gross value	Value adjustments	Gross value	Value adjustments	Gross value	Value adjustments	Gross value	Value adjustments	Gross value	Value adjustments	Gross value	Value adjustments
Guarantees given with assumption of risk of initial loss	-			-		-		-		-		-
- financial guarantees upon first request	-					-		-		-		
- other financial guarantees	-			-		-		-		-		-
- commercial guarantees	-			-		-		-		-		-
Guarantees given with assumption of mezzanine type risk	-			-		-		-		-		-
- financial guarantees upon first request	-			-		-		-		-		-
- other financial guarantees	-			-		-		-		-		-
- commercial guarantees	-			-		-		-		-		-
Pro rata guarantees given	-		147,034	- 239		-		-		-	469	- 85
- financial guarantees upon first request	-		147,034	- 239		-		-		-	469	- 85
- other financial guarantees	-		-	-		-		-		-	-	-
- commercial guarantees	-		-	-		-		-		-	-	-
E Other												
Total	-		147,034	- 239		-		-		-	469	- 85

D.10 Changes in impaired guarantees given (secured or unsecured): other

(thousands of €)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value		**1,578**				
(B) Increases:	**-**	**519**	**-**	**-**	**-**	**-**
- transfers from performing guarantees	-	181	-	-	-	-
- transfers from other impaired guarantees	-		-	-	-	-
- other increases	-	338	-	-	-	-
(C) Decreases:	**-**	**- 1,628**	**-**	**-**	**-**	**-**
- outgoings to performing guarantees	-	- 67	-	-	-	-
- outgoings to other impaired guarantees	-	-	-	-	-	-
- enforcement	-		-	-	-	-
- other decreases	-	- 1,561	-	-	-	-
E. Other						
(D) Gross final value		**469**	**-**	**-**	**-**	**-**

D.11 Changes in unimpaired guarantees given (secured or unsecured)

(thousands of €)

Amount of the changes	Financial guarantees upon first request		Other financial guarantees		Commercial guarantees	
	Counterguaranteed	Other	Counterguaranteed	Other	Counterguaranteed	Other
(A) Initial gross value		**186,198**				
(B) Increases:	**-**	**64,270**	**-**	**-**	**-**	**-**
- Guarantees given	-	38,743	-	-	-	-
- other increases	-	25,527	-	-	-	-
(C) Decreases:	**-**	**- 103,433**	**-**	**-**	**-**	**-**
- guarantees not enforced	-		-	-	-	-
- transfers to impaired guarantees	-	- 181	-	-	-	-
- other decreases	-	- 103,252	-	-	-	-
(D) Gross final value	**-**	**147,034**				

D.15 Distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (amount guaranteed and underlying asset)

(euro thousand)

Type of risk assumed	Given guarantees with first loss risk-taking		Given guarantees with mezzanine risk-taking		Given guarantess pro-quota
	Amount guaranteed	Underlying asset	Amount guaranteed	Underlying asset	Amount guaranteed
- 'Subgroup 1: SAE 430 - Non financial companies - Production companies					94,503
- 'Subgroup 2: SAE 49a - Non financial companies - Others					45,588
- 'Subgroup 3: SAE 615 - Other producer households					7,205
- 'Subgroup 4: Others					207
Total					**147,504**

D.16 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (amount guaranteed and underlying asset)

(euro thousand)

Type of risk assumed	Given guarantees with first loss risk-taking		Given guarantees with mezzanine risk-taking		Given guarantess pro-quota
	Amount guaranteed	Underlying asset	Amount guaranteed	Underlying asset	Amount guaranteed
- 'Region 1 North-West Italy					43,893
- 'Region 2 Centre Italy					41,933
- 'Region 3 North-East Italy					35,791
- 'Region 4 South Italy and islands					23,574
- 'Region 5 Others					2,312
Total					**147,504**

Section 2 – Securitisation transactions, disclosure on the structured entities not consolidated in the accounts (other than vehicle companies not for securitisations) and sales of assets.

A. SECURITISATION TRANSACTIONS

In December 2016, the first securitisation transaction of Ifitalia was begun.

The transaction, structured by BNPP CIB of Milan, is developed as follows:
Trade receivables, up to a maximum of EUR 350 million, originated by various companies in a leading Italian group that is a customer of Ifitalia, are sold monthly/every fifteen days by the factoring companies of this Group to Ifitalia through the without recourse sale pursuant to the Italian Factoring Law (Law 52/91).

At the time of acquisition, Ifitalia sells the entire portfolio of receivables, with recourse, to the vehicle company Tierre Securitization s.r.l. (SPV) based on the Italian Securitisation Law (Law 130/1999).
In both sales (Ifitalia's customer to Ifitalia and Ifitalia to the SPV), the trade receivables are sold at a price equal to their nominal value (sale at par).
The transaction is conducted on a revolving basis, i.e. on collection of the receivables, which have an average duration of 60 days, new receivables are gradually sold.

The securitisation programme has a duration of 5 years, with a commitment by Ifitalia of up to EUR 200 million, which can be renewed year-to-year.
The SPV finances the purchase of the receivables through the issue of two classes of short-term ABS Notes - Class A1 and Class A2 - which have a different amortisation profile, but the same rights (*pari passu* rank). Class A1 Notes in a maximum of EUR 140 million are subscribed by third parties, while Class A2 Notes of a maximum amount of EUR 210 million are subscribed by Ifitalia.

Ifitalia fully guarantees the credit risk of the transaction through the mechanism of purchasing the receivables without recourse and selling them to the SPV with recourse. From an operational point of view, this occurs through Ifitalia's commitment to buy the unpaid receivable back from the SPV after a certain number of days of delay in payment. In turn, Ifitalia protects itself from credit risk by entering into an insurance policy on the debtors of the securitised receivables.

The transaction structured as above provides customers with a committed source of financing of working capital, while keeping its relationships with customers unchanged, and allows Ifitalia to construct a significant transaction with good profitability, whose funding may be allocated with third parties. It also increases the loyalty of a customer of high standing.

The transaction, as devised, does not add any specific risk for Ifitalia compared to a normal without recourse factoring transaction.
From an accounting/financial statements point of view, for the mechanism of purchasing the without recourse receivables and their resale with recourse (which effectively keeps the credit risk on the entire portfolio with Ifitalia), at the time of the sale by Ifitalia to the SPV, the receivables are not discharged from Ifitalia's financial statements, but continue to be represented under balance sheet assets. At the time of sale of the receivables by Ifitalia to SPV, instead of discharging the receivables, an item is recorded under payables in liabilities, limited to the portion not financed by Ifitalia.

QUALITATIVE INFORMATION

The main aggregates relating to the outstanding securitisation transaction as at 31 December 2016 are shown below.

(euro thousand)

Items	Amount at 31/12/2016
Balance sheet	
Portfolio Loans (which are included in the item 60 of activity)	232,335
Other debts included in item 10 (represents the third parties funding)	-140,000
Securitisation portfolio financed by Ifitalia	**92,335**
Profit & Loss	
Interests on portfolio financed by Ifitalia (item 10)	13
Factoring commission (item 30)	26
Interests and commissions on securitisation portfolio	**39**

* Total interest related to securitisation operation are equal to 44 Keuro.

Ifitalia holds no share in the capital of the SPV, named TIERRE SECURITISATION S.R.L., with registered office in Via V. Alfieri 1 Conegliano (TV). However, based on the reference accounting standards (IFRS 10), it can be deemed that Ifitalia controls the vehicle as it is the main party that determines its flows and, furthermore, is exposed to the variable returns of the SPV (both as a result of data protection on credit risk and through the notes subscribed).

Based on the reference regulations regarding the preparation of financial statements of banks and financial brokers, Ifitalia does not consolidate the SPV and does not produce consolidated financial statements, as it meets all the requirements for the exemption set out in the regulations (Article 40 of Italian Legislative Decree 136 of 2015)[1].

[1] Controlling IFRS brokers established in Italy and controlled by a bank subject to the law of another member state are not required to draw up consolidated financial statements when all the following conditions are met:

a) the broker exempted has not issued securities listed on regulated markets;
b) the foreign parent company bank holds at least 90 percent of the voting rights that can be exercised in the ordinary shareholders' meeting of the broker exempted, provided that the other shareholders or partners have approved the exoneration;
c) the broker exempted and all of its subsidiaries to be consolidated are included in the consolidated financial statements of the foreign parent company bank;
d) the consolidated financial statements and the report on operations are drawn up by the parent company bank and audited according to the law of the member state in which this is established, in line with Directive 86/635/EEC or the international accounting standards adopted pursuant to Regulation (EC) no. 1606/2002. The consolidated financial statements, report on operations and audit report are published in Italian or in the language commonly used in the area of international finance according to the methods indicated in Article 42. The compliance of the translation to the version in the original language is certified by the board of directors of the broker exempted.

Section 3 – Information on the risks and the related hedging policies

3.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Factoring activities involve numerous services which can be structured in various ways by means of the with and without recourse factoring of commercial loans and receivables.

A peculiar feature of factoring transactions is the correlated involvement for various reasons of three parties, in short qualifiable as:

- The Factor (transferee);
- The Client (transferor);
- The Debtor (transferred party).

If observed from the standpoint of the underlying services, it is therefore a composite product, where the credit management, the guarantee of the debtor's solvency and the disbursement of advances on loans/receivables accepted under factoring can be combined in various ways.

Therefore, the assessment of the risk of the factoring transactions must be carried out by means of preliminary analysis of numerous factors such as: the solvency of the transferred debtors, the degree of fragmentation of the risk, the characteristics of the underlying commercial relationship, the transferor's ability to repay – in the event of disbursement of advances – also in light of the figures of the Bank of Italy's Credit Reference Bureau and the financial statements, ratings – internal or ECAI - on the party and/or associated companies, connections or simple dependence on Groups, supply difficulties, technological innovation which could place a product out of the market, etc.

Clearly these are appraisals which can only partly overlap with the lending activities carried out by the banks, indispensable for permitting an adequate control of the credit risk which partly expresses itself[2] in aspects not present in banking activities.

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[2] Measurement of the asset risk: it is a wider concept of the measurement of the credit worthiness of the individual debtors factored, since it refers to the interaction of the individual names within the factored portfolio, whose risk profile is determined by the concentration of the debtors and their domestic-export nature, the ageing, DSO and payments terms, payment methods, statistics on bad debt, etc.;
Measurements of the "factorability" risk, associated with the nature and the characteristics of the supply relationship being factored, which influences the aptitude of the transferred receivables to self-liquidate, especially with reference to a hypothetical terminal phase of said relationship. This risk is appreciable from the analysis of the subject matter of the supply and the type of debtors involved, the invoicing process and the statistics relating to the invoices (number, amounts...), the contracts, etc.
Measurement of the concentration risk of the relationship, this includes itself between the asset risk and the factorability risk, since in the factoring transaction one of the most significant risk mitigation factors is represented by the numerousness of the commercial relationships with the parties granted credit which it is possible to place under observation and on which it is possible to intervene. In fact, a good diversification not only permits the portfolio factored to "survive" the default of one or more debtors, but also contributes towards isolating and containing any problematic issues linked to the commercial transactions underlying the factored receivables and limits the impact of potential fraud.
Measurement of the facility risk, associated with the contractual and operating features of the factoring transaction which contribute to determining the related risk profile. It requires the assessment of the reason for the technical form proposed and the opinion on the ongoing operations (for example, global transfer vs. spot transfer, confidential vs. disclosed, QN vs. recognition, invoice forwarding method, accompanying documents, dunning).
Where several products are offered and/or several transactions where the customer undertakes the twofold role of transferor and transferred debtor, these situations may give rise - from a conceptual standpoint - to a correlation risk between the transactions understood as the possibility of unexpected changes in the overall risk of the transaction due to the correlation between the risks deriving from the characteristics of the various transactions offered to the customer (the latter what is more appears particularly complex to identify and quantify).

With regard to the provision of the above services, the factor may undertake the credit risks in different ways, in turn possible to break down into certain elementary types:

- credit risk in the strict sense, represented by the risk of loss due to default of the debtors[3];
- dilution risk is the risk that the amount of a receivable decreases through the granting of receivables, in cash or another form, in favour of the debtor;
- commingling risk, which emerges in loan/receivable acquisition transactions each time the funds due to the factor may be confused with those of the transferor;
- late payment risk, which may occur if the without recourse guarantee is also extended to the payment by the debtor as at a pre-established date (so-called conventional expiry).

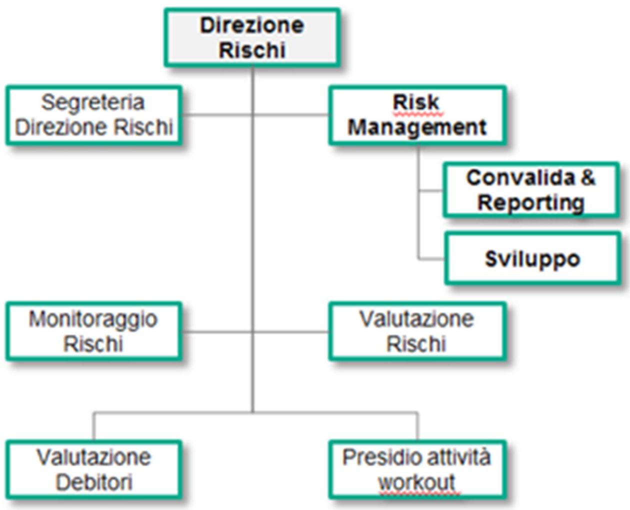
The internal control system set up by the company proposes to mitigate the manifestation of the above risks, emergence of which could lead to losses.

The planned progressive integration towards the Parent Company's credit risk control model, in addition to the emergence, for some years, of exceptional macro-economic factors which have required and request measures to be taken, including legislative, by the Regulators, who have encouraged the introduction of a progressive implementation of the credit risk control process.

2. Credit risk management policies

Organisational aspects

The organisational set up of the Division is as follows:



Key:
Direzione Rischi = Risk Division
Segreteria Direzione Rischi = Risk Division Secretarial Office
Risk Management = Risk Management
Convalida & Reporting = Validation and Reporting
Sviluppo = Development
Monitoraggio Rischi = Risk Monitoring
Valutazione Rischi = Risk Assessment
Valutazione Debitori = Debtor Assessment
Presidio attività workout =Workout Activities Unit

The Head of the Risk Division, acting as pertinent risk control Unit, is appointed by the Board of Directors, having consulted the audit body; the same answers functionally to the Board of Directors and has a functional relationship with the Italy Risks Manager at Group level (Country Chief Risk Officer).

The Operational Risk Point of Contact functionally reports to the Head of the Risk Division, to whom he/she sends suitable information flows on the pertinent risks, their recording and periodic monitoring and the mitigation actions implemented with the related Risk Owners.

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[3] I.e., those *vis-à-vis* whom the factor has risks which must be discharged by those counterparties; therefore, these also include transferors for advances received.

The Permanent Controls are present in two units - on the staff of the Risk Manager - and are carried out by the Risk Management Dept. and the Risk Monitoring Dept. The Risk Division Office unit gathers together the secretarial activities, on the staff of the Risk Manager. The remaining units which the Division is divided up into are line placed.

The Risk Division

- it oversees the processes relating to the undertaking of the credit risk and ensures the maintenance of the customer portfolio quality over time in keeping with the corporate and BNP Paribas Group objectives and strategies.
- it handles the doubtful positions, co-ordinating at BNP Paribas Group level.
- it ensures constant monitoring of the credit risks and those envisaged within the sphere of the ICAAP process for the spheres of competence.
- it ensures, in co-ordination with the competent BNP Paribas Group Units, the definition and maintenance of the methods and instruments aimed at identifying, measuring, assessing and handling the credit risks.

As a result of the outsourcing to Business Partner Italia S.C.p.A. of the activities within the Workout sphere, the Workout Activities Unit performs the role of Point of Contact for the services outsourced within the Workout sphere (Problem asset management; Servicing on behalf of third parties and government authorities management; Revocatory action, Lawsuit management of parties in Arrears Unlikely to Pay – Agreed Unlikely to Pay and Non-Performing statuses and of any positions subject to Complaints; Planning, operational management and monitoring).
The general mission is established by means of the Business Units indicated above, whose missions are summarised below.

<u>The Risk Division Office</u>

- it supports the Sales Division, the Risk Assessment and the Debtor Assessment service for the handling of the transferor and debtor approval procedures for the Credit Committee seeing to the forwarding of the documentation for which the opinion of the competent units of other Entities of the BNPP Paribas Group has been requested and follows the outcome seeing to any changes laid down.
- it supports the Risk Manager in the preparation of the proposals for variations to the application of the provision standards on past due positions authorised by the Default Committee.
- it gathers together the proposals for the reclassification of status as without recourse transferors and debtors and submits them for the examination and authorisation of the decision-making Bodies seeing to the registration in the company information system of the change of status resolved with regard to the without recourse debtors.
- it sees to the formalisation of risk measures, inputting in the information system the results of the resolutions of the statistical rating override process and judgmental assignment of the rating, of the GRR process.
- it sees to saving the risk measures, archiving the related analysis files in electronic format. It sees to the handling of the flow of requests of the active customers of all the markets relating to the issue or amendment of without recourse limits guaranteeing, directly or via the use of services, the correct registration of the same and the related assignment to the structures tasked with the assessment of the corresponding risks.
- it sees to the handling of the flow of requests of the potential customers deriving from the approval of the without recourse Feasibility Reports (opinions) guaranteeing, directly or via the use of services, the correct registration of the same and the related assignment to the structures tasked with the assessment of the corresponding risks.
- it sees to the safekeeping of the documents acquired that support the approval process and decision-making activities;
- it sees to the handling of the service relating to the documental archiving insofar as it is responsible.
- it sees to the handling of the limits subordinated to the acquisition of accessory guarantees in co-ordination with the Management Division.
- it ensures for the approved limits, the control of the correctness of the data input in FIS, by means of a comparison between the data summarised in the table and the original resolutions received from the Debtor Assessment service.
- it sees to the handling of the restrictive measures resolved for the without recourse risks (revocations/reductions) performing the related tasks (registration in FIS, telegram to the transferor, etc.).
- it ensures the adjustment of any errors detected in the FIS company information system relating to the processing of without recourse limits.

- it ensures the transmission to the customers of the customised reports drawn up by the IT Division.
- it executes, directly or with the support of the other units of the Division, the requests received from other Divisions or from BNL/BNPP.

Risk Monitoring Department

The purpose of the structure is to see to the definition, planning and implementation of controls aimed at monitoring credit risk. Specifically:
1) it defines, plans and implements credit control activities. In that area:

- it conducts checks regarding the lending process and the management of the relationship and recovery based on internal regulations;
- it monitors the process and the merits of the assignment and revisions of ratings and reports periodic worsening in statistical ratings for the purpose of suitable management/re-examination of the positions;
- it makes sure that the facilities granted are regularly used with respect to the resolution reached at the time and the progression of the risk elements expressed by the development of the relationship;
- it conducts controls in the area of the process of allocation for impaired accounts; it monitors the achievement of the lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Divisions concerned;
- it conducts checks regarding the lending process and the management of the relationship based on internal regulations;
- it controls the consistency of the risk status classifications of the positions with the BNP Paribas Group approaches and the Banking System, reporting any misalignment to the competent Divisions;

2) it ensures, working with the Business Lines, the effectiveness of the process of watchlist management, to define and implement the corrective actions on positions subject to systematic supervision;

3) it contributes, in line with the rules of the BNP Paribas Group and together with the competent Divisions, to the planning, application and maintenance of the procedures aimed at overseeing the credit risks;

- it controls the consistency of the risk status classifications of the positions with the BNP Paribas Group approaches and the Banking System, reporting any misalignment to the competent Divisions;

4) it ensures a periodic flow of information towards BNL to allow the consolidation - at BNP Paribas Group level - of the data regarding credit monitoring;

5) it ensures that specific reports regarding the results of the control activities conducted and the corrective actions for the anomalies detected are prepared for the Top Management and/or the boards;

6) it reports any operational risk found as part of its permanent control activities to the Operational Risks Department and PCC.

The structure carries out these activities on a monthly or quarterly basis, based on the type of control to be conducted.

The activities are carried out based on the Operational Plan of Controls (OPC), which includes both controls on performance and on merits and correctness of form, broken down by type of process:

- Assumption and Review of credit risk;
- Credit risk management;
- Collection of impaired loans.

Risk Management Department

The organisational unit is divided up into two spheres with separate teams and responsibilities.
The Pillar 2 Product and Controls / Models Development Sphere sees to the activities associated with the development of the risk measures with regard to Ifitalia while, for the part developed by the BNL skill centre, it performs a support function for the implementation, application, applicative monitoring and periodic up-dating of said analysis as well as support for the issue of the regulations relating to its sphere.
This sphere's mission also includes the control on the second Pillar risks, where considered significant by Senior Management, as well as the analysis with regard to the development on new products in terms of impact on the level of risk and support for the achievement insofar as it is responsible.
In conclusion, it works together with the Finance Division in the ICAAP process insofar as this fall under the responsibility of the Risk Division.

The Reporting and Models Validation Sphere, in co-ordination with the corresponding units of DR BNL,

- with regard to Model Validation, defines the validation guidelines for the credit risk models on a consistent basis with the guidelines of the BNP Paribas Group, follows the development of analysis methods for the validation of the afore-mentioned models and performs the second level validation/qualification (initial and periodic) of the local/central risk parameters for the purpose of checking the reliability of the results and the persistence of the coherence with the legislative requirements and the evolution of the reference market. It ensures the monitoring of the performances and the accuracy of the estimates produced by the local models following the overcoming of any critical aspects detected within its activities. Account is provided of these activities to the Company's Governance and Control Bodies seeing to the drafting of specific periodic disclosure. In conclusion, it collaborates within the sphere of the above activities for the correct implementation of the algebra underlying the local estimation models with respect to the validated versions. Lastly, it oversees data quality control in the area of models, to the extent of its remit.
- with regard to the reporting activities, it sees to the implementation of a control reporting system intended for Senior and Top Management on the performance of the quality of the assets (e.g. changes in asset quality, shortcuts/excesses on LGD with respect to the coverages in NPL, changes in the distribution of EL by product / responsibility centre, significant changes in the granularity of the portfolio risk, analysis with focus on the change of the significant sector risks, drafting of the information destined for the Risk Policy Committees, etc.), it provides the necessary disclosure support to management so that it can carry out its functions within the sphere of the budgeting and periodic audit process *vis-à-vis* the same (so-called forecast), as well as disclosure support for the performance of the risk cost control activities carried out by management (so-called Action Plan) and in conclusion ensures its support for the consolidation process for the country risk limits of BNP Paribas in co-ordination with the Brussels GFCC.

Both the spheres of activities direct and collaborate with the IT Division, insofar as they are responsible, in relation to the development and maintenance of the databases necessary for the implementation of their analysis objectives.

Risk Assessment

- it analyses the transferor and related with recourse debtor approval procedures established by the Sales Division according to the methods envisaged by the "4Eyes" process, in particular:
- it provides risk opinions on the without recourse debtor and transferor risks assessing the consistency with the lending policies of the Company and the BNP Paribas Group, as well as with the internal regulations in force;
- it express a fairness opinion on the rating automatically calculated by the engines as part of the transferor credit proposals;
- it validates the changes in the without recourse transferor and debtor ratings triggered by the override requests submitted by the Sales Division or the Debtor Assessment Department of the statistical ratings automatically assigned by the system (Local models)";
- it validates the risk measures (rating and GRR) assigned in judgmental mode (Central models) for both without recourse transferors and debtors.
- it express a fairness opinion on the rating automatically calculated by the engines as part of the transferor credit proposals;

- it validates the changes in the without recourse transferor and debtor ratings triggered by the override requests submitted by the Sales Division or the Debtor Assessment Department of the statistical ratings automatically assigned by the system (Local models)";
- it validates the risk measures (rating and GRR) assigned in judgmental mode (Central models) for both without recourse transferors and debtors.
- it supports the Default Committee in the application of the deviations from the Company Allocation Standards, expressing the Risk Opinion on the departure proposals put forward.

Debtor Assessment

- it prepares and assesses the without recourse Debtors procedures and oversees the quality of these risks over time, in particular:
– it resolves within the authorised limits or submits the without recourse risks to the competent bodies;
– it assesses the consistency of the rating assigned by the engines with the general risk profiles of the without recourse Debtor, activating override processes, if necessary;
– it formulates proposals for assignment of risk measures (rating and GRR SU) in judgmental mode for without recourse debtors and submits them for validation to the Risk Assessment Department.
– it sees to, directly or via the use of services, the registration of the results of the resolutions relating to the without recourse limits and any reinsurance of the same in the Electronic Procedure or in the FIS company information system;
– it sees to the handling with the credit insurance companies of the requests for granting, renewal or revocation of the individual insurance coverage;
– it sees to the review of the without recourse risks outstanding;
– it examines the prepayment plans proposed or the requests for related extensions submitting them to the competent bodies for authorisation;
– it adopts restrictive measures aimed at safeguarding the risk undertaken by means of decreases, changes and revocations of the without recourse limits;
– it sees to the up-dating of the map of the Associated Customer Groups and their composition in a co-ordinated manner with the other company structures and the other Entities of the BNP Paribas Group;
– it sees to the main without recourse debtor risk concentration also by means of the assignment of portions of Major Debtor Limits or Debtor Group Limits seeing to the registration in the FIS company information system of the results of the related resolutions and carrying out the appropriate controls in observance of the limits approved;
– it analyses the periodic pejorative changes in the internal ratings of the risks it is responsible for, for the necessary decisions;
- within the sphere of the management of the counterparty risk:
– it supports the Head of the Department in identifying new credit insurance policies or reviewing the ones in place;
– it verifies the calculation and authorises the payment of the reassurance policy premiums, the services provided by external providers and information agencies;
– it draws up suitable disclosure for the Owners with regard to the requirements of the *pro tempore* policies in force so as to permit the correct operational handling;
– it monitors the suitability of the CPAs resolved *vis-à-vis* the Foreign Correspondents and Insurance Companies with respect to the outstanding risks seeing to the Annual Review process;
– it defines the new facility measures in agreement with the other corporate Divisions.

Workout Activities Unit

It oversees the activities outsourced within the Workout sphere, periodically monitoring the observance of the service levels/execution times, the trend in the relationships with third parties, any problematic aspects emerging and the identification of the appropriate solutions, and produces the related reporting.

- it oversees the management of Disputes and mediation rulings for parties that do not have the following statuses: Non-Performing – Arrears Unlikely to Pay – and Agreed Unlikely to Pay
- it draws up the reporting on all disputes and revocation actions, including those of parties managed by the Workout unit of BPI.

- it ensures the activities pertaining to the management of replies to requests to the legal authorities: for "bank assessments", involving the Workout unit of BPI for parties with the status Non-Performing – Arrears Unlikely to Pay – Agreed Unlikely to Pay and directly fulfils, in coordination with the Special Affairs unit, the request for the parties with status Management Unlikely to Pay and Restructured Unlikely to Pay.
- for "legal deeds" it managed receipt and activates the Workout unit of BPI for parties with the status Non-Performing – Arrears Unlikely to Pay – Agreed Unlikely to Pay and directly fulfils the request for the parties with status Management Unlikely to Pay and Restructured Unlikely to Pay, in coordination with the Special Affairs unit or, for parties in Performing status, in coordination with the Management Division and the Sales Division.

The Management, Measurement and Control Systems

The Internal Rating System (IRS)

The Ifitalia IRS, established since 2005, has undergone a progressive change which continued during 2016 as reported within the sphere of the activities associated with the Basel 2 Programme. The Probability of Default (PD) models which apply to the Large Corporate, Small Mid Corporate and SME Retail spheres, adopt a method for the portion locally implemented in line with the Group standards. The Large Corporate portion uses a process implemented by the parent company BNP Paribas and applied on a transnational basis to determine the value of the internal rating and the GRR (Global Recovery Rate=1-LGD).

All the releases safeguard the principle of the uniqueness of the rating value through an integration process of the same values with those expressed by the BNP Paribas banking network which are used, each time they are present, as a driver in the loan process. In line with the other realities of the BNP Paribas Group, a single master scale is used to assess the one-year PD of the counterparties included in the application scope of the models.

In addition to being a management control instrument, the PD models in use were implemented to be used from a regulatory viewpoint in determining supervisory capital requirements since our Company is a credit institution which plans to migrate to the internal rating application method using the advanced approach. The existing Ifitalia IRS is based on statistical models estimated by BNL and applied to our population. These consider, for their operation, pertinent variables of a financial, qualitative and performance nature. The probabilities of default obtained are corrected to consider the influence of the economic cycle in a way to reduce its influence and the procyclicity. The SME Retail part adopts estimation methodologies with the construction of HCR (Homogeneous Class of Risk) in line with the Group's standards.

The internal rating system as a whole is subject to a general governance process and a set of application rules that guarantee the best reliability over time of the process of estimation and input of the risk measures and their correct application in company processes. LGD and Dilution were developed internally, though always with the support of the BNL competence centre.

The master scale adopted ranks the customers into 10 classes for the performing part and two classes for the default part which includes past due, unlikely to pay and non-performing positions.

The risk managers and the principals of the approval process are allowed to request a review of the internal rating in accordance with a regulated process which entrusts the risk department with the authority to accept or refuse the related requests, each of which must be duly and promptly justified. The rating value is updated at the time the approval process begins and periodically, on the occurrence of specific events or at deadlines defined by the risk department.

The statuses expressed by the Parent Company on shared customers have direct effects on the internal classification, with particular reference to the various degrees of impairment. As regards the other risk measures, which make up the IRS together with the PD, it is hereby revealed that the Loss Given Default (LGD) is used in the reporting to management, with special reference to the analyses highlighting the distribution by expected loss and the consistency with the coverage levels (shortcut / excess).

Refining this parameter as well as the observation of the dilution risk have allowed the use of both in the allocation process on performing loans (collective writedown) where the group methodology was adopted for the purposes of the financial statements. Finally, the danger rates observation process allowed the global allocation amount to be objectively quantified, if applied.

Credit risk management policies

- Reporting

The reporting process drawn up by the Risk Management Dept. expresses itself under the form of periodic disclosure addressing the Risk Policy Committees (RPC)[4] of the BNPP Paribas Group, the Senior Management and the first level of responsibility of company management, and contains, among other things, qualitative-quantitative type information on the portfolio risk and the level of sector-related concentration. In compliance with the credit policies expressed by the Group, periodic disclosure has also been prepared for the process Owners with the aim of facilitating observance of the indicated limits and permitting periodic reporting. Additional reports are drawn up by the Risk Monitoring Dept. also intended for Senior Management – subject to discussion if necessary with the process Owners – with the aim of informing the same on observance of certain aspects of the credit process deemed to be particularly critical, also in relation to the indications received from the Parent Company.

The reporting process will be subject to additional implementation due to the gradual expansion of the use of risk measures, which is currently underway, with an expansion of use and improved visibility of the cases such as expected loss on credit risk and dilution, absorbed capital, etc.

- Delegation system

The system of lending powers systematically supplements the use of the rating in the credit authorisation process with a depth in the structure of the exercise of the authorisation in relation to the expected loss levels.

The decision-making process, taking into account Ifitalia's merger within the BNP Paribas Group, has adopted the Group model.

This model entails the involvement of two organisation chains in the credit granting process: a "commercial chain"[5] and a "risk chain"[6]. According to this process, all the resolutions regarding lending relating to the with-recourse transferor and debtor risk are undertaken by the commercial chain which avails itself of the support of a team of specialized credit risk analysts, who express credit opinions (so-called risk opinions) on the credit proposals drawn up.

By means of this constant and joint assessment of the transferor proposal, by the commercial chain and the risk chain, the credit process has been defined as "4 Eyes".
The 4 Eyes organisational process applies at every decision-making level, from the lowest (Zone) up to Head Office and, in the event of disagreement between the commercial opinion and the lending opinion, the concept of resolution escalation applies at all levels, on the basis of which the decision is referred to the higher decision-making body.

Resolution escalation applies each time the risk opinions express a more restrictive (or negative) lending opinion with respect to the proposed transaction and the decision-making body identified by the lending powers does not intend to comply with the risk opinion expressed.

[4] Credit Policy Committee
[5] "Commercial chain" means the business units of the Sales Division tasked with initial approval/decision-making activities.
[6] "Risk chain" means the business units of the Risk Division tasked with credit risk assessment activities in the initial approval process.

With regard to the without recourse debtor role, it was preferred that the initial approval process and part of the decision-making activities be maintained within the Risk Division as per the assigned powers.

Both with regard to the without recourse debtor and transferor role, the power delegations take into account not only the absolute amounts but also the internal rating values expressed by the Group and by the internal rating system for the debtor customers which are not agreed on.

The presence of insurance cover on without recourse debtor risk influences the lending process and the application of the delegation system.

In any event, the collective Decision-making Bodies (Credit Committee and Board of Directors) are entrusted all the risks involving greater amounts which in any case are subject to examination also by the Parent Company for the amounts of greatest significance or which, due to lender type, are reserved for the exclusive competence of the Board of Directors.

- Lending policies

The structure of the lending policies was implemented in 2016 with a set of “Specific Credit Policies” approved by the Board of Directors, which supplement the strategic guidelines formulated by the Parent Company’s Risk Policy Committee (RPC) as regards specific local aspects, aimed at supporting and guiding the factoring activities at Group level.

The “Specific Credit Policies” regard aspects such as:

- coordination at Group level of the risk assumption methods, taking account of sector-based performance, default risk of the counterparty and the aspects inherent in managing the relationship;
- the methods of assumption and revision of without recourse debtor risk for specific brackets of amounts;
- the methods of assumption of transferor risk with regard to specific types of products and/or credit underlyings.

The implementation of the strategies as well as the implementation of the “Specific Credit Policies” are subject to verification and reporting to the company governance bodies, according to specifically defined processes.

- Supervision of performing and past due loans/receivables

The systematic supervision system takes and adapts to the factoring context the “IPEG” and “Watch List” procedure already in use at BNL, called “IFIPEG”.

“Systematic Supervision” is the set of rules and management processes for the individual customer risk positions of Transferors and Debtors, hereinafter defined as “Customers”, aimed at ensuring constant recognition and assessment of the risk, the consequent classification and the timely and effective application of management strategies aimed at minimising the impact deriving from the increase in risk, with a view to preserving the quality of these credit assets. Anticipatory handling is envisaged, both in Basel regulations and in the Bank of Italy supervisory instructions, among the fundamental principles of prudential control, where the focus is on the need for banks and financial brokers to set up a suitable system of monitoring and reporting of risk exposures, which also assessed the way in which the changing risk profile of the institution could influence its need for capital. These rules promote the constant strengthening of the ability to prospectively assess risk profiles, defining the following, *inter alia*:

- Measurement criteria based on “internal ratings" as the predictive nature of those models allows for the definition of guidelines for governing credit risk, for the purpose of managing in advance possible impairment of assets;
- The fundamental principles of prudential control, where the focus is on the need for banks and financial brokers to set up a suitable system of monitoring and reporting of risk exposures, which also assessed the way in which the changing risk profile of the institution could influence its need for capital.

The Systematic Supervision process is organised into 3 pillars:

– **On-going classification of the Customers**, by virtue of which the customer base must be permanently classified in relation to the current and forecast risk, making a distinction between low risk customers and high risk ones;

– **Focus on customers subject to increasing risk,** whose main objective is the anticipatory handling of the deterioration of the loan quality as well as its permanent and on-going monitoring;

– **Action plans,** focused on the reduction/requalification of the risk *vis-à-vis* high risk customers.

These pillars are strictly linked to the Monitoring process, which constitutes the end phase of the significant process of Systematic Supervision and Monitoring. The Customer enters the Systematic Supervision process when:

- it is possible to apply a risk assessment and consequent management action to the same;
- a limit is granted or resolved or when an exposure emerges;
- it is reclassified as performing or Restructured Unlikely to Pay, Automatic Unlikely to Pay or Management Unlikely to Pay from a status of Arrears Unlikely to Pay, Non-Performing or Agreed Unlikely to Pay.

Conversely, it leaves the process when:

- it no longer has dealings with Ifitalia;
- it is classified as Arrears Unlikely to Pay, Non-Performing or Agreed Unlikely to Pay.

Positions which, due to the significance of the level of risk and/or performance or management anomalies detected, must be subject to specific monitoring, are classified as Watch List and periodically subject to examination by the Risk Monitoring Committee.

The Watchlist is broken down into:

- **Ordinary**: which includes all positions in accounting status Performing, Past Due and those in accounting status Unlikely to Pay but defined as Automatic, Non-Arrears Unlikely to Pay without forborne flag in the management accounts, which have a counterparty risk higher than or equal to the threshold of EUR 200,000 and are marked red or orange.
- **Doubtful**: which includes all the positions in management status Management Unlikely to Pay, Restructured Unlikely to Pay or Automatic, Non-Arrears Unlikely to Pay with forborne flag, with counterparty risk >0 and/or transferor credit line and/or debtor credit limit.

The process is being fully reviewed within the sphere of the process for the implementation of the new IFIPEG 2.0 tool.

Organisation of the Committees

For the purpose of ensuring an integrated management of the processes, the company has provided itself with an organisational structure which envisages the meeting of Committees where the company units concerned are from time to time called to provide their contribution in an integrated manner.

The following is indicated in particular:

Credit Committee

It decides on the granting of loans and authorises the disbursements of the same, within the limits of the powers granted.

It expresses opinions regarding lending on a consistent basis with the matters established in the delegated powers and approves, upon the proposal of the General Manager and within the maximum limits established by the Board of Directors, the decision-making and also administrative sub-delegation and use of the credit facilities, also name registered, to be assigned to certain defined company roles.

Non Standard Product Validation Committee

It authorises all the “Non standard products”, these being understood to be those which cannot be activated, marketed, controlled, handled or registered for reputational, accounting, tax-related, supervisory and risk and management control purposes in accordance with current practices and legislation.

The Committee is responsible for assessing the impacts:

- on the measures and other components of risk and on the system of controls;
- on the accounting, administrative and commercial reporting processes/systems;

relating to finance and supervision;

- on the tax-related aspects;
- on the legal and reputational aspects;
- on the IT systems and/or on the infrastructural components;
- on the distribution processes;
- on the organisational aspects.

<u>Risk Monitoring Committee</u>

The Risk Monitoring Committee, on a consistent basis with the Group model, is an analysis and decision-making body which ensures the integrated supervision of the significant risks, also with a view to valuation of the level of adequacy of the available capital.

This Committee is the venue in which company Management discusses the valuation of the risks carried out by the competent Units and assesses the mitigation action proposed by the Units responsible individually or jointly.
Furthermore, the company control Units share the results of the respective activities within said Committee.
The Committee therefore represents one of the main venues in which - for the sphere of competence of the same - control is exercised by the Risk Control Units, and represents a point of business synthesis which ensures a single view of the risks.
The Committee is organised in multiple issue-based sessions, and its composition varies in relation to the issues handled in each session.
Specifically, the Committee is responsible for:

- examining the performance of the impairment on the performing portfolio;
- validating the Operational Plans for Control of the risks, prepared by the responsible Units, to be submitted for the approval of the Board of Directors;
- assessing the corrective action plans proposed by the competent units for the positions included on the watchlists on a consistent basis with the processes defined at BNP Paribas Group level;
- directly carrying out, if necessary, the downgrading of the rating assigned to the customer;
- assessing the action/initiatives for the mitigation of the risks and for the amendment of the developmental trends of the activities for the containment of the risks and the RWAs;
- providing a global and systematic vision of the situation within the sphere of the permanent control system and of the operational risk;
- analysing and acquiring collective decisions with regard to the permanent control system and the operating risks;
- supporting the Business Continuity manager in the recognition, sharing and validation of the information and the initiatives aimed at the maintenance of the Business Continuity solutions;
- in implementation of the governance of Internal Rating System;
    - ensuring a joint examination on initial application, as well as in the subsequent evolutions of risk measures that are applied in the company;
    - ensuring a joint examination on initial application, as well as in the subsequent evolutions of the tools for using the risk measures to govern credit and dilution risk;
    - ensuring an integrated view of the results of data quality and data integrity controls relating to the use of the internal rating system;
- ensuring an integrated communication flow on the significant risks: gathering together and examining the reports relating to the trend of the adequacy of the available capital (ICAAP) and of the significant risks drawn up by the competent company Units; communicating the outcome of the discussions to the BoD, formalised in specific reports;
- supervising, in an integrated manner, the current and forecast trend of the risk profile and the level of capital adequacy of the Company, assessing the action/initiatives for the mitigation of the risks and for the amendment of the developmental trends of the activities for the containment of the risks and the RWAs;

- ensuring the supervision of the supplier risk so as to efficiently manage any problematic aspects deriving from the commercial dealings with the same, ensuring the quality and continuity of the related activities.

Default Committee

The Default Committee is a body that analyses and resolves on lending disputes and the recovery or loss forecasts.

This Committee works through two internal sessions: ***Ordinary*** (assesses and resolves the reclassification of the risks exceeding EUR 3 million from performing and non-performing, assesses any deviation from the global Past Due and Unlikely to pay provision determined by the level of the past due positions (so-called Automatic IPA/IP), assesses and resolves allocations to provisions for risk starting from EUR 600 thousand and ***Stock*** (assesses the management activity of the risk positions with the Debt Collection Dept. with financial exposure starting from EUR 3 million).Promptly reports its decisions to the Risk Division of BNL.

Non-performing loans/receivables in the scope of workout and recovery process

The supervision of the recovery process for impaired positions – other than past due, part of unlikely to pay and restructured positions – is entrusted to the Workout Division of Business Partners Italia which, as mentioned previously, is an outsourced unit and followed internally by the Workout activities Unit.

As part of this process, said Unit implements recovery strategies which take account of:

- the status of the position and the counterparties as emerges from the data in its possession at the time of receipt of the documentation as subsequently acquirable;
- the effective amount to be recovered and economic convenience of the action possibly to be carried out;
- the presence of any guarantee which can be usefully enforced.

In relation to the above, it periodically takes steps to formulate recovery forecasts and to quantify the amount of the provisions deemed adequate in light of the status of the position when they are formulated and each time there are new elements which allow to change it.

In relation to the unlikely to pay/non-performing positions with contained risk amounts, external servicers are availed of, whose activities and efficiency is accurately monitored.

The Group methodology, shared with BNL, was introduced in 2012 with regard to the definition of the scope of impaired receivables and the rules to quantify the provisions to the performing portfolio (so-called Collective Writedown) and non-performing receivables (so-called Forfait Impairment and analytical impairment). The process for provision and status changeover is co-ordinated by the Default Committee referred to above.

Techniques for mitigating the credit risk

The mitigation of the credit risk in the factoring transaction is essentially entrusted to an efficient and effective process for checking the ability of the debtor to pay the trade receivable acquired on maturity, which, since 2016 has been increasingly accompanied by insurance on without recourse debtor risk, previously essentially contracted on foreign transactions. This choice is consistent with the strategies implemented within the factoring hub of the BNP Paribas Group, where normally the assumption of without recourse debtor risk is accompanied by an insurance guarantee or a foreign correspondent.
The compliance of correspondents and insurers is subject to periodic assessment.

Nevertheless, as regards unsecured and secured guarantees, the Company has already organised itself, defining tasks and responsibilities inherent to the definition of:

- standard forms for the types of guarantees normally adoptable;

- processes for gathering the subscription of guarantees;
- processes for the control, custody and registration of the same.

The organisational and technological processes take into due account the necessary functional separateness which must be assigned among whomever defines the texts, whomever gathers the subscriptions and whomever checks / preserves / validates them.
The protection of the credit usually undertaken is unsecured (unfunded), while the use of secured (funded) credit protection instruments is usually associated with the protection of already non-performing loans / receivables and, therefore – differently to banking activities - this is more of an exception than a usual risk mitigation instrument.

Projects underway that will be realised as from 2017

The project entitled "Basel II Programme" for the adoption of the IRB Advanced approach for the calculation of the capital requirement for credit risk, which has now reached an extremely advanced implementation phase. All of the measures of development and implementation of processes and technological infrastructures set out in the plan have reached completion or are in advanced release. This project involves an evolution of processes and instruments supporting the Company Divisions overseeing and governing credit and dilution risk.

In detail, during 2016 and the first few months of 2017 the following implementation processes were brought fully onto stream:

- approval by the Board of Directors
  - of the Governance documents of the Internal Rating System;
  - of the Consolidation Law of the Risk Measures (Global Rating Policy) which provides the general process standards for use of the internal rating system as well as a number of accompanying specific standards;
  - the gradual release of "Specific Credit Policies" with the goal of governing the credit process with regard to the corporate portfolio segment, specific transactions such as, for example, reverse factoring and specific processes which required differentiated treatment than the standard credit process;
- new responsibilities have been defined within the Risk Division for the purpose of ensuring the accomplishment of the Confirmation and Validation process for the Risk Measures;
- with regard in particular to the new "local" PD models (developed in Italy), they have been activated in accordance with those of the associated company BNL and are applicable to the following scopes:
  - Small-Mid Corporate, with the purpose of obtaining the validation for calculation purposes of the capital requirement in this perimeter which is made up of the lowest bracket of the Corporate segment;
  - SME Retail, with a number of specific implementations for the business, with the aim of replacing the management models with measures that adopt new and more predictive indicators;
- the assignment process of the risk measures has been launched (PD and GRR/Global Recovery Rate), according to the method in use in the BNPP group, and which is essentially intended for the highest segment of the corporate area (Large Corporate);
- the management of groups of customers connected with BNL was supplemented and the management of the global group data records was activated for the non retail portfolio (RMPM/*Référentiel Mondial des Personnes Morales*);
- the construction process of the DWH of the credit (known as the Consolidation DB) is at an advanced stage of creation. This, besides already populating the risk measures will become the collection point for all the information from operational and accounting sources judged useful for the control of the process of credit;
- the framework of controls aimed at ensuring over time the quality of the data and the efficiency/effectiveness of the management processes of the internal rating system was brought on stream;
- an approval process governed by a new single application for transferors and debtors more compliant with the process requirements envisaged for the corporate sector was brought on stream;

Besides the matters stated above, the introduction of the following process implementations is envisaged during 2017:

- review of the systematic supervision process which will be supported by the 2.0 IFIPEG release which led to essential changes not only of a technical/method-related type but will permit a more efficient handling of the monitoring/control process for the positions;
- the activation of the processes “fully up and running” for the population of the accounting data from the group structures which flow to the Credit DWH;
- the completion of the valorisation of the risk measures, according to the group process, PD/GRR destined to be applied to the larger-sized segment of the Corporate area (Large Corporate).

Third level certification activities are under way and, following these, additional fine tuning may occur of the implementations carried out to date, before requesting that the Regulator validate the internal rating system using the advanced approach (A-IRBA) for calculating capital requirements.

QUANTITATIVE INFORMATION

1. Distribution of credit exposures by portfolio and loan quality (Book value)

(thousands of €)

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	Total
1. Available-for sale financial assets						**-**
2. Held-to maturity financial assets					-	**-**
3. Due from banks	10	10	704	14,495	271,450	**286,669**
4. Due from customers	88,251	150,705	37,323	1,090,547	5,899,992	**7,266,818**
5. Financial assets at fair value						
6. Disposal financial assets	-					**-**
Total 31/12/16	88,261	150,715	38,027	1,105,042	6,171,442	7,553,487

2. Credit exposures

2.1 Credit exposures to customers: gross and net values and maturity bracket

(thousands of €)

Exposure types/Balances	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets				Performing assets			
	Up to 3 months	3 to 6 months	6 months to 1 year	beyond 1 year				
A CASH EXPOSURES								
a) Non-performing	500	-	1,911	285,560	X	(199,720)	X	88,251
-of which forborne exposures	-	-	-	15,249	X	(13,844)	X	1,405
b) Unlikely to pay	4,811	1,060	26,364	203,825	X	(85,355)	X	150,705
-of which forborne exposures	138	20	6,406	10,019	X	(5,116)	X	11,467
c) Past due positions	-	2,361	37,369	-	X	(2,407)	X	37,323
-of which forborne exposures	-	-	-	-	X	-	X	-
d) Performing Past due positions	X	X	X	X	1,090,547	X	(1,216)	1,089,331
-of which forborne exposures	X	X	X	X	-	X	-	-
e) Other Assets	X	X	X	X	5,903,748	X	(2,539)	5,901,209
-of which forborne exposures	X	X	X	X		X		-
TOTAL A	**5,311**	**3,421**	**65,644**	**489,385**	**6,994,295**	**(287,482)**	**(3,755)**	**7,266,819**
OFF BALANCE SHEET EXPOSURES								
a) Impaired assets	-	71	398	60,000	X	(85)	X	60,384
b) Performing assets	X	X	X	X	330,564	X	(239)	330,325
TOTAL B	**-**	**71**	**398**	**60,000**	**330,564**	**(85)**	**(239)**	**390,709**
TOTAL (A+)B	**5,311**	**3,492**	**66,042**	**549,385**	**7,324,859**	**(287,567)**	**(3,994)**	**7,657,528**

(thousands of €)

Credit exposures to customers - Performing assets	
Maturity	Performing Past due exposures
past due up to 3 months	737,909
past due 3 to 6 months	93,300
past due 6 months to 1 year	49,624
past due beyond 1 year	209,714
TOTAL	**1,090,547**

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

(thousands of €)

Exposure types/Balances	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets				Performing assets			
	Up to 3 months	3 to 6 months	6 months to 1 year	beyond 1 year				
A CASH EXPOSURES								
a) Non-performing	500	-	1,911	285,560	X	(199,720)	X	88,251
-of which forborne exposures	-	-	-	15,249	X	(13,844)	X	1,405
b) Unlikely to pay	4,811	1,060	26,364	203,825	X	(85,355)	X	150,705
-of which forborne exposures	138	20	6,406	10,019	X	(5,116)	X	11,467
c) Past due positions	-	2,361	37,369	-	X	(2,407)	X	37,323
-of which forborne exposures	-	-	-	-	X	-	X	-
d) Performing Past due positions	X	X	X	X	1,090,547	X	(1,216)	1,089,331
-of which forborne exposures	X	X	X	X	-	X	-	-
e) Other Assets	X	X	X	X	5,903,748	X	(2,539)	5,901,209
-of which forborne exposures	X	X	X	X		X		-
TOTAL A	**5,311**	**3,421**	**65,644**	**489,385**	**6,994,295**	**(287,482)**	**(3,755)**	**7,266,819**
OFF BALANCE SHEET EXPOSURES								
a) Impaired assets	-	71	398	60,000	X	(85)	X	60,384
b) Performing assets	X	X	X	X	330,564	X	(239)	330,325
TOTAL B	**-**	**71**	**398**	**60,000**	**330,564**	**(85)**	**(239)**	**390,709**
TOTAL (A+)B	**5,311**	**3,492**	**66,042**	**549,385**	**7,324,859**	**(287,567)**	**(3,994)**	**7,657,528**

2.3 Classification of exposures based on external and internal ratings

2.3.1 Distribution of cash and "off-balance sheet" credit exposures by external rating classes

(thousands of €)

Exposures	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures			**1,462,863**				**6,194,910**	**7,657,773**
B. Derivatives								**-**
B.1 Financial derivatives								**-**
B.2 Derivatives on receivables								**-**
C. Guarantees given			19,459				128,027	**147,486**
D. Commitments to grant funds							263,002	**263,002**
E. Other								**-**
TOTAL	**-**	**-**	**1,482,322**	**-**	**-**	**-**	**6,585,939**	**8,068,261**

Ifitalia, for the Exposures in the Central Administrations and Central Banks portfolio, uses the external ratings of the following ECAI:

	RISK CLASS	RATING	ITALY RATING 31/12/16
1 Standard & Poor's	3	da BBB+ a BBB-	BBB-
2 Moody's	3	da Baa1 a Baa3	Baa2
3 Fitch	3	da BBB+ a BBB-	BBB+

3. Lending concentration

3.1 Distribution of cash and off-balance sheet exposures by sector of economic activities of the counterparty

Cash exposures

(thousands of €)

Exposure types/Balances	Government authorities				Non-financial businesses				Banks and financial institutions			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Receivables												
A.1 Non-performing	6,414	(3,359)	X	**3,055**	271,309	(189,320)	X	**81,989**	1,921	(1,911)	X	**10**
-of which forborne exposures	-	-	X	**-**	14,367	(13,054)	X	**1,313**	-	-	X	**-**
A.2 Unlikely to pay	18,691	(947)	X	**17,744**	199,266	(75,546)	X	**123,720**	10	-	X	**10**
-of which forborne exposures	3,898	-	X	**3,898**	10,651	(4,339)	X	**6,312**	-	-	X	**-**
A.3 Past due positions	32,627	(2,007)	X	**30,620**	6,827	(374)	X	**6,453**	704	-	X	**704**
-of which forborne exposures	-	-	X	**-**	-	-	X	**-**	-	-	X	**-**
A.4 Other Assets	1,279,074	X	-	**1,279,074**	5,592,463	X	(3,242)	**5,589,221**	285,945	X	(1)	**285,944**
-of which forborne exposures	-	X	-	**-**	-	X	-	**-**	-	X	-	**-**
TOTAL	**1,336,806**	**(6,313)**	**-**	**1,330,493**	**6,069,865**	**(265,240)**	**(3,242)**	**5,801,383**	**288,580**	**(1,911)**	**(1)**	**286,668**

(thousands of €)

Exposure types/Balances	Households				Other parties				Total			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Receivables												
A.1 Non-performing	7,594	(6,932)	X	**662**	2,654	(109)	X	**2,545**	289,892	(201,631)	X	**88,261**
-of which forborne exposures	883	(789)	X	**94**	-		X	**-**	15,250	(13,843)	X	**1,407**
A.2 Unlikely to pay	15,220	(7,805)	X	**7,415**	2,883	(1,057)	X	**1,826**	236,070	(85,355)	X	**150,715**
-of which forborne exposures	2,033	(777)	X	**1,256**	-		X	**-**	16,582	(5,116)	X	**11,466**
A.3 Past due positions	132	(26)	X	**106**	144		X	**144**	40,434	(2,407)	X	**38,027**
-of which forborne exposures	-	-	X	**-**	-	-	X	**-**	-		X	**-**
A.4 Other Assets	106,181	X	(506)	**105,675**	16,577	X	(7)	**16,570**	7,280,240	X	- 3,756	**7,276,484**
-of which forborne exposures	-	X		**-**	-	X		**-**	-	X	-	**-**
TOTAL	**129,127**	**(14,763)**	**(506)**	**113,858**	**22,258**	**(1,166)**	**(7)**	**21,085**	**7,846,636**	**(289,393)**	**(3,756)**	**7,553,487**

Off balance sheet exposures

(thousands of €)

Exposure types/Balances	Government authorities				Non-financial businesses				Banks and financial institutions			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
Guarantees given and commitments												
A.1 Non-performing			X	**-**	-		X	**-**			X	**-**
A.2 Unlikely to pay			X	**-**	60,102	(22)	X	**60,080**	-		X	**-**
A.3 Non Performing assets			X	**-**	281	(44)	X	**237**			X	**-**
A.4 Other assets	38	X		**38**	323,260	X	(189)	**323,071**	19,472	X		**19,472**
TOTAL	**38**		**-**	**38**	**383,643**	**(66)**	**(189)**	**383,388**	**19,472**		**-**	**19,472**

(thousands of €)

Exposure types/Balances	Households				Other parties				Total			
	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
Guarantees given and commitments												**-**
A.1 Non-performing			X	**-**			X	**-**	**-**		**X**	**-**
A.2 Unlikely to pay	61	(14)	X	**47**	1		X	**1**	**60,164**	**(36)**	**X**	**60,128**
A.3 Non Performing assets	24	(5)	X	**19**			X	**-**	**305**	**(49)**	**X**	**256**
A.4 Other assets	7,141	X	(50)	**7,091**	125	X		**125**	**350,036**	**X**	**- 239**	**349,797**
TOTAL	**7,226**	**(19)**	**(50)**	**7,157**	**126**			**126**	**410,505**	**(85)**	**(239)**	**410,181**

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

Cash exposures

(thousands of €)

	Geographic distribution					
	North-West	North-East	Centre	South and Islands	Other countries	Total
Receivables						
A.1 Non-performing	15,717	11,166	36,845	24,230	303	**88,261**
A.2 Unlikely to pay	25,211	8,066	40,420	71,939	5,079	**150,715**
A.3 Past due positions	6,779	1,788	3,716	25,579	165	**38,027**
A.4 Other assets	2,359,315	871,167	2,476,842	744,756	824,404	**7,276,484**
TOTAL	**2,407,022**	**892,187**	**2,557,823**	**866,504**	**829,951**	**7,553,487**

Off balance sheet exposures

(thousands of €)

	Geographic distribution					
	North-West	North-East	Centre	South and Islands	Other countries	Total
Off balance sheet exposures						
A.1 Non-performing	-	-	-	-	-	
A.2 Unlikely to pay	60,070	17	24	17	-	**60,128**
A.3 Past due positions	201	15	4	13	23	**256**
A.4 Other assets	246,495	35,703	41,846	23,473	2,280	**349,797**
TOTAL	**306,766**	**35,735**	**41,874**	**23,503**	**2,303**	**410,181**

3.3 Significant exposures

(thousands of €)

Significant exposures	Book value	Weighted value
a Amount	2,837,577	1,222,162
b Total number of shares	13	13

4. Models and other methods for gauging and handling the credit risk

The description of the models for gauging the credit risk is indicated in Section 3 - Credit Risk: Information of a qualitative nature, in paragraph 2.2 "*Management, measurement and control systems*".

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

1. General aspects

The interest rate risk deriving from the timing mismatch between asset and liability items associated with funding and lending transactions is handled by the Finance Division.
As part of its core activities, due to company policy, funding reflects the same market parameters to which the structure of the loans is linked.

In consideration of the types of lending and funding which characterise Ifitalia's activities, the risk of a change in the market rates has a marginal impact on the value of the assets and liabilities.

QUANTITATIVE INFORMATION

Given that total funding is currently provided to the company by the Parent Company, note that the mismatch by maturity bracket with respect to the amount of the funding, as at 31 December 2016, is marginal.

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

Currency: euro *(thousands of €)*

Items/residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Beyond 10 years	Unspecified duration
1. Assets								
1.1 Debt securities								
1.2 Receivables	1,213,623	4,677,623	480,333	314,031	205,543	53,524	-	377,995
1.3 Other assets								7,285
2. Liabilities								
2.1 Payables	718,157	5,225,427	26,946	146,934	98,415	574	-	392,885
2.2 Securities issued								
2.3 Other liabilities								394,807
3. Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.1 Long positions								359
3.2 Short positions								

Other currencies *(thousands of €)*

Items/residual maturity	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	Beyond 10 years	Unspecified duration
1. Assets								
1.1 Debt securities								
1.2 Receivables	23,957	177,896	24,519	4,443	-	-	-	-
1.3 Other assets								
2. Liabilities								
2.1 Payables	-	226,373	824	-	-	-	-	
2.2 Securities issued								
2.3 Other liabilities								
3. Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.1 Long positions								
3.2 Short positions								

2. Models and other methods for gauging and handling the interest rate risk

The interest rate risk is monitored on a quarterly basis by the Financial Division – Treasury Dept. The model used by Ifitalia to monitor the interest rate risk is the one indicated by the provisions contained in the Bank of Italy circular No. 288 of 3 April 2015, whose model is based on the principle of a 200 bp shock.

At the end of 2016, the sensitivity to the interest rate risk of the portfolio for Ifitalia amounted to EUR 12.8 million, equal to 2.09% of the supervisory capital, below the 20% threshold.

3.2.2 PRICE RISK

General aspects

The Company does not purchase or sell financial instruments other than trade receivables and therefore is not exposed to the market risks associated with the price volatility of said instruments.

3.2.3 EXCHANGE RISK

General aspects

With regard to the exchange risk, it is in fact inexistent within the sphere of the core business activities, since all the assets acquired are consistently assisted by identical liabilities in the same currency and with the same duration features.

QUANTITATIVE INFORMATION

Distribution by currency of assets, liabilities and derivatives

(thousands of €)

Items	Currencies					
	US Dollars	GB Sterling	Yen	Canadian Dollars	Swiss Francs	Other currencies
1. Financial assets						
1.1 Debt securities						
1.2 Investment securities						
1.3 Receivables	191,465	16,729	1	3,736		29,804
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities						
3.1 Payables	183,847	9,844		3,736		29,771
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	191,465	16,729	1	3,736	-	29,804
Total liabilities	183,847	9,844	-	3,736	-	29,771
Imbalance (+/-)	7,618	6,885	1	0	-	33

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods for gauging the operational risk

The Operational Risk Management Model adopted by Ifitalia is based on the logic and principles defined by the TSA (Traditional Standardised Approach) Methodologies for the determination of capital requirements; the Company was certified by the Bank of Italy for use of this Methodology in July 2010.

The main aspects of the entire operational risk management and control framework are described below.

Organisational structure

The governance structure of the Operational Risks is made up of the **Governance Bodies** (Board of Directors, General Manager and Board of Statutory Auditors) and the following Divisions:

- **Operational Risks and Permanent Control Unit,** which has the task of invigorating and handling the entire Operational Risk Management Model in compliance with the prudent supervisory instructions and on a consistent basis with the provisions of the BNP Group. This Model is based on the integrated management of the "Operational Risks" and the "Permanent Controls" so as to perform synergic action in this process both in the phase for identification and reporting of the operating losses and in the risk assessment, control, monitoring and mitigation stage thanks to the adoption of common metrics and gaugings.
  In the Unit, on the staff of the General Manager, the figure of Operational Risk Point of Contact was identified, who hierarchically reports to the Head of the Unit and functionally to the Head of the Risk Division, with whom he/she coordinates to carry out the activities on the pertinent risks, on their recording and periodic monitoring and the mitigation actions implemented in agreement with the related Risk Owners and to whom he/she sends suitable information flows. The Head of the Risk Division carries out the role of Operational Risk Correspondent and Coordinator of Permanent Controls of the Company.
  The workers in the Unit do not participate in specific operating activities of the other Departments, but are dedicated to executing Permanent Controls according to the formalities and the timescales defined in the Plan of Controls and preparing "day by day" operational disclosure on the checks carried out, the emerging criticalities and any mitigation activities achieved. This information is sent to the operational management as well as the Head of the Unit/s and the Operational Risk Point of Contact.

The organisation is completed by:

- **Risk Monitoring Committee - Permanent Control Operational Risk Session,** consistently with the Parent Company model, assures the coordination and decision-making process supporting the permanent control and operational risk organisation. The Committee is responsible for:

  - approving the Operational Plans for Permanent Control of the risks, prepared by the responsible Divisions;
  - providing a global, organic vision of the permanent control organisation and of operational risk;
  - analysing and acquiring collective decisions on the permanence control and operational risk framework;
  - generating an alarm and escalation level on recurring critical issues;
  - determining the involvement of the operational Units responsible for managing these issues and activating the monitoring of mitigating actions.

  Committee meetings are attended by the Heads of the Company Divisions identified, for each session, in relation to the topics discussed and to their respective responsibilities.

- **Finance Division** which has the responsibility of ensuring that the incidents generating a significant financial impact are appropriately reported in the Company's financial documents and working together with the Operational Risks and Permanent Control Unit to carry out an accounting reconciliation of the operating incidents. It is also responsible for making the calculation of the capital requirements to be established in relation to the operational risks.

Method

Handling of the operational risk, in the definition adopted by BNP Paribas, is based on an alignment of cause analysis (internal process or external fact), event (incident), effect (risk of economic loss). In detail, the BNP Group has defined as incident "every real or potential event deriving from the inadequacy or malfunctioning of internal processes or external events, which has, would have or could generated a loss, a revenue or a lack of earnings".

Analysis of the frequency/impacts of the historic incidents and their evolution in perspective represents an underlying element for the development of the map of the risks, which is supplemented by analysis of the potential events.

The Operational Risk Management Model within Ifitalia concerns the following processes:

- **Loss Data Collection process**: activities for the identification, survey and registration of historic incidents of Operational Risk by feeding the BNP FORECAST Group tool. The FORECAST (Full Operational Risk & Control Analysis System) management system has been the IT platform used by the Companies of the BNP Paribas Group to record historical incidents, the related recognised or estimated or potential losses, any amounts collected as a result of insurance or by other means that occur at the Group's organisations;

- **Risk Mapping process**: valuation of the exposure to operational and non-compliance risks within Ifitalia; the mapping of the risks has been one of the qualifying elements for the adoption of the TSA model. It is essentially based on an auto-diagnostic process for the identification, classification and prior valuation of the risks which corporate operations are potentially exposed to and as such, is a managerial operating instrument useful for the planning of the most appropriate mitigation measures for said risk;

- **Permanent Control Plan**: activation of permanent control procedures on areas at greatest operational risk identified in the Risk Mapping Process; the outcomes of the controls are reported through the Ve.Re.Co. (Control Reports) Group application;

- **Criticality solution activities:** adoption of suitable corrective measures in relation to the critical areas indicated, to ensure the efficiency of the company procedures and processes (in terms of integration, variation or support). This action expresses itself according to two different operating methods: definition of short-term corrective action and structuring of medium/long-term action plans;

- **Reporting**: reporting activities assures operational risk monitoring and enables to assess the efficacy of the controls and hedging procedures. The main report produced, "Permanent Controls and Operational Risks Report", ensures the presence of information on the outcomes of the permanent controls and the results of the Loss Data Collection process and handling of potential incidents. A section of the report contains any mitigation action adopted and the related progress of activities.

QUANTITATIVE INFORMATION

Assessment of the main sources of manifestation and nature of the risks

The breakdown by percentage of the manifestations of operational risks recorded in 2016 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. In 2016, 24 risk manifestations occurred, involving:

- **phenomena connected with the execution, delivery and process management (ET 7):** these events are due to deficiencies in the completion of the transaction or in the management of the processes, as well as events deriving from transactions with commercial counterparties (sellers and suppliers); these events constitute the main source of operational risk, as they account for 70.8% of the total number of events which occurred in 2016 (versus 72.1% in 2015);

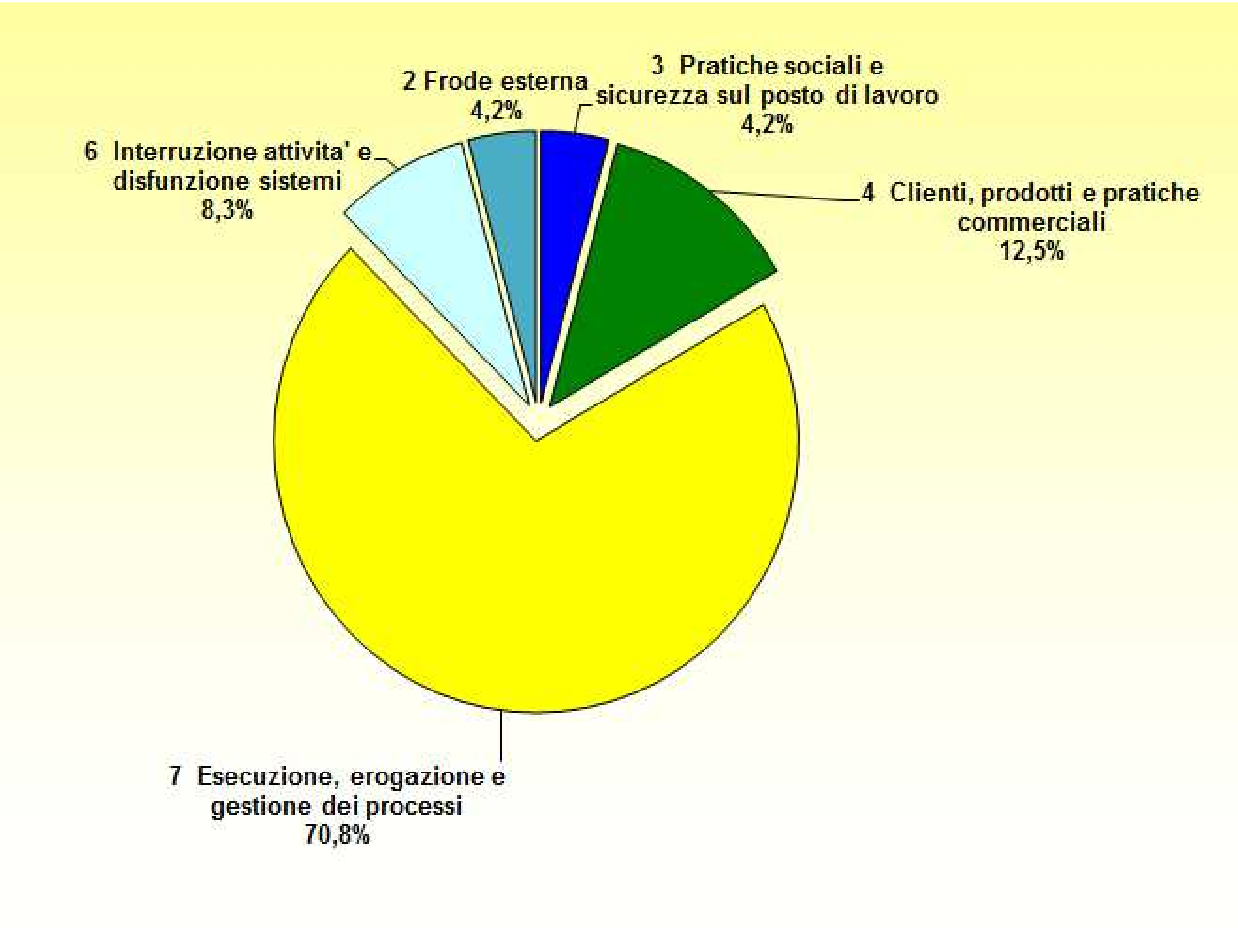
- **phenomena connected with Interruptions of activities and system dysfunction (ET 6):** these events derive from activity interruptions or from system malfunctions; these events represent 8.3% of the total events recorded in 2016 (compared to 7% in 2015);

- **phenomena connected with clients, products and business practices (ET 4):** these are events deriving from breaches of professional obligations to customers or from the nature or characteristics of the product or of the service rendered; such phenomena are mainly represented by revocation actions and lawsuits, which account for 12.5% of the total events occurred in 2016 (versus 20.9% in 2015);

- **phenomena connected with cases regarding employment and safety in the workplace (ET 3)**: these are events deriving from relationships with collaborators, from safety in the workplace, from the breach of rights of collaborators and discrimination; these are constituted by a single occurrence and represent 4.2% of the total events in 2016. No similar events occurred in 2015;

- **phenomena connected with external frauds (ET 2):** these are events due to fraud, embezzlement or violation of laws by persons outside the Company; these are constituted by a single occurrence and represent 4.2% of the total events in 2016. No similar events occurred in 2015.

Percentage composition by each type of event:



Key:
Interruzione attività e disfunzione sistemi = Interruption of activities and system dysfunction
Frode esterna = External fraud
Pratiche sociali e sicurezza sul posto di lavoro = Company practices and safety in the workplace
Clienti, prodotti e pratiche commerciali = Clients, products and business practices
Esecuzione, erogazione e gestione dei processi = Execution, delivery and process management

3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods for gauging the liquidity risk

The policies for managing liquidity risk, i.e. the ability to fulfil, at any time, one's payment obligations at the set due dates, are an expression of the strategy defined by the Parent Company BNP Paribas, which is essentially based on centralised liquidity management for all Group companies.

QUANTITATIVE INFORMATION

1. Time distribution by residual maturity of financial assets and liabilities - Euro

Euro *(thousands of €)*

	Items/Timeframe	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Beyond 5 years	Unspecified duration
	Cash assets										
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	1,131,661	-	-	1,855,770	1,910,324	777,021	836,566	378,859	54,474	377,995
A.4	Other assets										7,285
	Cash liabilities										
B.1	Deposits and current accounts										
	- Banks	718,157	1,170,437	1,078,008	526,983	600,000	376,946	1,646,934	98,415	574	392,885
	- Financial institutions										
	- Customers										394,807
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions										
C.1	Financial derivatives with capital exchange										
	- Long positions										
	- Short positions										
C.2	Financial derivatives without capital exchange										
	Long positions									359	
	Short positions										
C.3	Deposits and loans to be received										
	- Long positions										
	- Short positions										
C.4	Irrevocable commitments to grant funds										
	- Long positions										
	- Short positions	-	-	-	-	-	-	-	-		
C.5.	Financial guarantees given	-	-	-	-	-	-	-	-		-

1. Time distribution by residual maturity of financial assets and liabilities – Other currencies

Other currencies *(thousands of €)*

Items/Timeframe	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Beyond 5 years	Unspecified duration
Cash assets										
A.1 Government bonds										
A.2 Other debt securities										
A.3 Loans	23,957	-	-	75,944	90,607	25,653	6,712	7,941	-	-
A.4 Other assets										
Cash liabilities										
B.1 Deposits and current accounts										
- Banks	-	257	45,602	43,861	136,653	824		-	-	
- Financial institutions										
- Customers										
B.2 Debt securities										
B.3 Other liabilities										
Off balance sheet transactions										
C.1 Financial derivatives with capital exchange										
- Long positions										
- Short positions										
C.2 Financial derivatives without capital exchange										
Long positions										
Short positions										
C.3 Deposits and loans to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to grant funds										
- Long positions										
- Short positions										
C.5. Financial guarantees given	-			-	-	-				-

Section 4 Equity Information

4. 1 Company equity

4.1.1 Qualitative information

The Company's equity is made up of the aggregation of share capital, share premium reserve, reserves, valuation reserves and profit for the period.
For supervisory purposes, the capital aggregate significant in this connection is determined on the basis of the current provisions envisaged by the Bank of Italy and represents the reference protection for the prudent supervisory provisions.
In accordance with said provisions, the Company is obliged to respect a comprehensive capital requirement which is calculated as the sum of the requirements relating to the single risk types (so-called "building block").

4.1.2 Quantitative information

4.1.2.1 Company equity: breakdown

The Company's equity as at 31 December 2016 amounted to EUR 666,087 thousand.

(thousands of €)

Items/Balances	2016	2015
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	494,476	449,942
- profit	482,903	438,369
a) legal reserve	11,180	11,180
b) statutory reserve	471,723	427,189
c) treasury shares		
d) other		
- other	11,573	11,573
4. (Treasury shares)	-	-
5. Valuation reserves	8,699	8,938
- Available-for-sale financial assets	3,741	3,964
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investment hedging	-	-
- Hedging of financial flows		
- Exchange rate differences	-	-
- Non current assets undergoing disposal	-	-
- Special revaluation laws	5,870	5,870
- Actuarial gains (losses) relating to defined benefit welfare plans	(912)	(896)
- Portion of the valuation reserves related to equity investments valued at equity	-	-
6. Equity instruments		
7. Profit (loss) for the year	45,214	44,534
Total	**666,088**	**621,113**

The information about the Company's equity components is indicated in Part B - Section 12 of these notes to the accounts.

4.1.2.2 Reserves from valuation of the available-for-sale financial assets: breakdown

(thousands of €)

Items/Balances	2016		2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity investments	3,741	-	3,964	-
3. UCI units	-	-	-	-
4. Loans	-	-	-	-
Total	**3,741**	**-**	**3,964**	**-**

4.1.2.3 Reserves from valuation of the available-for-sale financial assets: changes during the year

(thousands of €)

		Debt securities	Equity investments	UCI units	Loans
1.	**Opening balances**	**-**	**3,964**	**-**	**-**
2.	**Increases**	**-**	**-**	**-**	**-**
2.1	Positive fair value changes	-	-	-	-
2.2	Reversal to income statement of negative reserves	-	-	-	-
	from impairment		-	-	-
	from realisation	-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**-**	**(223)**	**-**	**-**
3.1	Negative fair value changes	-	(223)		-
3.2	Adjustments from impairment		-		-
3.3	Reversal to income statement of positive reserves: from realisation	-	-		-
3.4	Other decreases	-	-		-
4.	**Closing balances**	**-**	**3,741**	**-**	**-**

4.2 Supervisory capital and ratios

4.2.1 Supervisory capital

By means of the recent reform of Section V of the Consolidated Banking Law, which came into force on 11 July 2015, financial brokers are authorised by the Bank of Italy to carry out lending activities under any form and enrolled in the specific register envisaged by Article 106 of the CBL (so-called "consolidated register", as amended by Italian Legislative Decree No. 141/2010).
The same intermediaries are subject to a prudent supervisory regime equivalent to that of the banks, aimed at pursuing objectives of financial stability and safeguarding the sound and prudent management, structured according to the principle of proportionality so as to take into account the operational, size-related and organisational complexity of the operators as well as the nature of the activities carried out.

That being said, in October 2015 the company submitted the application for authorisation for registration in the consolidated register, and once the transitional period envisaged (12 May 2016) passed, those reforms became operational.

The quantitative information on the supervisory capital and the risk assets presented below has been calculated on the basis of the provisions issued in order to take into account the application of the IAS/IFRS accounting standards (discipline of the "Prudential Filters").

4.2.1.1 Qualitative information

On 1 January 2014 the revision of the agreements of the Basel Committee ("Basel 3") pertaining to strengthening the capacity of brokers to absorb the shocks deriving from financial tension and improving risk management and governance became operational. In that area, in maintaining the method based on the Three Pillars which was the foundation of the previous capital accord ("Basel 2"), the Committee supplemented it to increase the quantitative and qualitative characteristics of capital requirements, introduce anti-cyclical supervisory instruments and regulations on liquidity risk and reducing leverage.

"Basel 3" was adopted through the issue of Regulation EU no. 575/2013 of 26 June 2013 (CRR), which governs prudential requirements for credit institutions and investment firms and disclosure to the public, and Directive 2013/36/EU of 26 June 2013 (CRD IV), which regards, *inter alia*, conditions for access to banking activity, the freedom of establishment and the freedom to provide services, the prudential control processes and additional capital reserves.

These provisions are supplemented at national level with those issued by the Bank of Italy with Circular no. 288 of 3 April 2015, which gathers together the prudential supervisory provisions applicable to financial brokers enrolled in the register set out in Article 106 of the consolidation act of the banking and lending laws (TUB). The main objectives of those provisions, in addition to ensuring risk measurement and capital that is strictly commensurate with their degree of exposure, include the creation for financial brokers of a supervisory regime featuring prudential requirements that are comparable in terms of robustness to those of banks, as amended since 1 January 2014 by the aforementioned CRD IV Directive and CRR Regulation, by extending banking regulations to such brokers in order to strengthen the sound and prudent management and the stability of the financial sector as a whole.

The new regulatory structure requires that Own Funds (or Regulatory Capital) be comprised of the following levels of capital:

1. Tier 1 Capital, which, in turn, is composed of:
   - Common Equity Tier 1 (CET1);
   - Additional Tier 1 (AT1);
2. Tier 2 Capital (T2).

The new regulatory framework will be introduced gradually, through a transitional period (which orders the progressive entry into force of the rules, to be fully implemented in 2019 (2022 for the phase-out of certain instruments), during which some elements which can be calculated in or deducted fully from Common Equity on full application will impact Common Equity Tier 1 only by a percentage. Usually the residual percentage in relation to that applicable can be calculated in/deducted from Additional Tier 1 (AT1) and Tier 2 (T2) or considered in risk-weighted assets.

4.2.1.2 Quantitative information

(thousands of €)

	Total 31/12/2016	Total 31/12/2015
A. Tier 1 capital ((Common Equity Tier 1) before application of prudential filters	611,818	603,600
Of which Tier 1 instruments are subject to transitional provisions	-	-
B. Prudential filters applied to tier 1 capital :	-	682
C. Tier 1 capital gross of elements to be deducted and the effects of the transitional regime (A+B)	611,818	604,282
D. Elements to be deducted from Tier 1 capital	-	(519)
E. Transitional regime - impact Tier 1 capital	(977)	-
F. Tier 1 capital (Common Equity Tier 1 (C - D +/- E)	610,841	603,763
G. Additional Tier 1 capital (Additional Tier 1 - AT1) of elements to be deducted and the effects of the transitional regime	-	-
Of which AT1 instruments are subject to transitional provisions	-	-
H. Elements to be deducted of AT1	-	-
I. Transitional regime - impact of AT1 (+/-)	-	-
L. Additional Tier 1 capital (Additional Tier 1 - AT1) (G - H +/- I)	-	-
Total Tier 1 (Tier 1) (F+L)	610,841	603,763
M. Tier 2 capital gross of elements to be deducted and the effects of the transitional regime	-	5,870
Of which T2 instruments are subject to transitional provisions	-	-
N.Elements to be deducted of T2	-	(519)
O. Transitional regime - impact of T2 (+/-)	748	-
P. Total Tier 2 (Tier 2 - T2) (M - N +/- O)	748	5,351
Q. Total Capital (F + L + P)	611,589	609,114

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

Within the Company, the Finance Division carries out constant monitoring of the evolution of the aggregate useful for supervisory purposes with respect to the performance of the various risk profiles for the purpose of achieving an adequate balance in the overall structure, taking into account an effective composition between the components of Own Funds.

4.2.2.2 Quantitative information

The elements indicated above are subject to the following limits:
– Common Equity Tier 1 must be equal, at all times, to at least 4.5% of risk-weighted assets;
– Total Regulatory Capital (or Own Funds), equal to Tier 1 Capital plus Tier 2 Capital must be equal, at all times, to at least 6% of risk-weighted assets.
As at 31 December 2016 the company's capitalisation level was in line with the requirements:

- the CET 1 and Tier 1 capital ratios equal 7.97%;
- the Total capital ratio came to 7.98%.

(thousands of €)

Categories/Balances	Unweighted amounts		Weighted amounts /	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
A. RISK ASSETS				
A.1 Credit and counterpart risk	**7,905,855**	**6,902,300**	**6,760,540**	**5,589,429**
1. Standardised method	7,905,855	6,902,300	6,760,540	5,589,429
2. Method based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			**405,632**	**335,366**
B.2 Adjusting the credit rating risk				
B.3 Regulation risk				
B.4 Market Risk			**-**	**-**
1. Standard method			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operating risk			**19,800**	**23,067**
1. Basic method			-	-
2. Standardised method			19,800	23,067
3. Advanced method			-	-
B.6 Other prudential requirements			**34,749**	**40,921**
B.7 Other elements of the calculation			**-**	**-**
B.8 Total prudential requirements			**460,181**	**399,354**
C. RISK ASSETS AND SUPERVISORY RATIOS				
C1 Risk-weighted assets			**7,666,615**	**6,559,788**
C2 Tier 1 capital/Risk-weighted assets ratio (CET 1 capital ratio)			**7.97%**	**9.20%**
C3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**7.97%**	**9.20%**
C4 Capital/Risk-weighted assets (Total capital ratio)			**7.98%**	**9.29%**

Section 5 – Analytical statement of comprehensive income

(thousands of €)

	ITEMS	Gross amount	Income taxes	Net amount
10.	**Profit (loss) for the year**	**62,043**	**(16,829)**	**45,214**
	Other income components without transfer to income statement			
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(22)	6	(16)
50.	Non current assets undergoing disposal	-	-	-
60.	Portion of the valuation reserves of investments valued at equity	-	-	-
	Other income components with transfer to income statement			
70.	Hedging of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange rate differences:	-	-	-
	a) value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
90.	Hedging of financial flows	-	-	-
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
100.	Available-for-sale financial assets:	-	(223)	(223)
	a) fair value changes	-		-
	b) transfer to income statement	-	-	-
	- adjustments from impairment	-	-	-
	- profit/ loss from realisation	-	-	-
	c) other changes	-	(223)	(223)
110.	Non current assets undergoing disposal:	-	-	-
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	c) other changes	-	-	-
120.	Portion of the valuation reserves of investments valued at equity:	-	-	-
	a) fair value changes	-	-	-
	b) transfer to income statement	-	-	-
	- adjustments from impairment	-	-	-
	- profit/ loss from realisation	-	-	-
	c) other changes	-	-	-
130.	**Total other income components**	**(22)**	**(217)**	**(239)**
140.	**Comprehensive income (Item 10+130)**	**62,021**	**(17,046)**	**44,975**

Section 6 – Transactions with related parties

The introduction of the international accounting standards involves the application of the provisions relating to disclosure on transactions with related parties established by IAS 24.

6.1 Information on the remuneration of executives with strategic responsibilities
During the period, remuneration for the Board of Directors was recognised for EUR 46 thousand, while fees pertaining to the Board of Statutory Auditors amounted to EUR 103 thousand.

6.2 Loans and guarantees given in favour of directors and statutory auditors
At year end, there were no cash and endorsement credit facilities used by members of the Board of Directors or the Board of Statutory Auditors or by parties referring to the same.

6.3 Information on transactions with related parties
Reference should be made to the comments in the corresponding item of the report on operations – Intercompany transactions and those with related parties – page 28.

Income statement transactions for the period and the balance sheet balances as at 31 December 2016 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of €)

Counterpart	Interest and similar income	Interest and similar expense	Commission income	Commission expense	Dividends	Derivatives	Administrative expenses	Other operating income and charges
PARENT COMPANY	3,477	(1,572)		(696)			(906)	
ASSOCIATED COMPANIES	3	(1,423)	266	(3,552)	118	133	(14,323)	(37)
OTHER								
Total	**3,480**	**(2,995)**	**266**	**(4,248)**	**118**	**133**	**(15,229)**	**(37)**

(thousands of €)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**15,159**	**5,409,371**	**-**	**283,641**	**-**	**-**
BNP PARIBAS SUCC. MILANO	15,159	5,408,465		283,641		
BNP PARIBAS PARIS		906				
B) BNPP GROUP COMPANIES	**4,608**	**1,152,548**	**84,174**	**100,000**	**19,424**	**359**
BNL SpA	4,468	1,009,938		100,000	19,424	359
ARVAL SERVICE LEASE ITALIA S.P.A.		167	84,174			
BNP PARIBAS FACTOR GMBH		5				
BNP PARIBAS FACTOR		86				
BNP PARIBAS FORTIS	3	506				
BNPP REAL ESTATE		31				
BUSINESS PARTNER ITALIA	137	1,815				
TIERRE SECURITISATION SRL		140,000				
C) ASSOCIATED COMPANIES	**-**	**53**	**-**	**-**	**-**	**-**
INTERNATIONAL TRADE PARTNER		28				
BNP PARIBAS PARTNERS FOR INNOVATION		25				
	19,767	**6,561,972**	**84,174**	**383,641**	**19,424**	**359**

(*) Including guarantees provided to cover the exceeding of risk concentration limits.

Financial Statement Data for the Parent Company BNP Paribas

With reference to the matters envisaged by Article 2497 *bis*, section 4 of the Italian Civil Code, regarding disclosure on the management and co-ordination activities, tables are presented below containing a summary of the highlights taken from the last set of financial statements approved on 31 December 2015 by BNP Paribas S.A. in its capacity as direct parent company.

Consolidated income statement of the BNP Paribas Group

In millions of euros	Notes	Year to 31 Dec. 2015	Year to 31 Dec. 2014[1]
Interest income	3.a	41,381	38,707
Interest expense	3.a	(18,828)	(18,388)
Commission income	3.b	13,335	12,661
Commission expense	3.b	(5,720)	(5,273)
Net gain on financial instruments at fair value through profit or loss	3.c	6,054	4,631
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	3.d	1,485	1,969
Income from other activities	3.e	38,289	35,760
Expense on other activities	3.e	(33,058)	(30,899)
REVENUES		42,938	39,168
Salary and employee benefit expense	7.a	(16,061)	(14,801)
Other operating expenses		(11,539)	(10,157)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	5.n	(1,654)	(1,566)
GROSS OPERATING INCOME		13,684	12,644
Cost of risk	3.f	(3,797)	(3,705)
Costs related to the comprehensive settlement with US authorities	3.g	(100)	(6,000)
OPERATING INCOME		9,787	2,939
Share of earnings of equity-method entities	5.m	589	407
Net gain on non-current assets		996	155
Goodwill	5.o	(993)	(351)
PRE-TAX INCOME		10,379	3,150
Corporate income tax	3.h	(3,335)	(2,643)
NET INCOME		7,044	507
Net income attributable to minority interests		350	350
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		6,694	157
Basic earnings/(losses) per share	8.a	5.14	(0.07)
Diluted earnings/(losses) per share	8.a	5.13	(0.07)

[1] Restated according to the IFRIC 21 interpretation (see notes 1.a and 2).

Consolidated balance sheet of the BNP Paribas group

In millions of euros	Notes	31 December 2015	31 December 2014(1)
ASSETS			
Cash and amounts due from central banks		134,547	117,473
Financial instruments at fair value through profit or loss			
Trading securities	5.a	133,500	156,546
Loans and repurchase agreements	5.a	131,783	165,776
Instruments designated as at fair value through profit or loss	5.a	83,076	78,827
Derivative financial instruments	5.a	336,624	412,498
Derivatives used for hedging purposes	5.b	18,063	19,766
Available-for-sale financial assets	5.c	258,933	252,292
Loans and receivables due from credit institutions	5.f	43,427	43,348
Loans and receivables due from customers	5.g	682,497	657,403
Remeasurement adjustment on interest-rate risk hedged portfolios		4,555	5,603
Held-to-maturity financial assets	5.j	7,757	8,965
Current and deferred tax assets	5.k	7,865	8,628
Accrued income and other assets	5.l	108,018	110,088
Equity-method investments	5.m	6,896	7,371
Investment property	5.n	1,639	1,614
Property, plant and equipment	5.n	21,593	18,032
Intangible assets	5.n	3,104	2,951
Goodwill	5.o	10,316	10,577
TOTAL ASSETS		**1,994,193**	**2,077,758**
LIABILITIES			
Due to central banks		2,385	1,680
Financial instruments at fair value through profit or loss			
Trading securities	5.a	82,544	78,912
Borrowings and repurchase agreements	5.a	156,771	196,733
Instruments designated as at fair value through profit or loss	5.a	53,118	57,632
Derivative financial instruments	5.a	325,828	410,250
Derivatives used for hedging purposes	5.b	21,068	22,993
Due to credit institutions	5.f	84,146	90,352
Due to customers	5.g	700,309	641,549
Debt securities	5.i	159,447	187,074
Remeasurement adjustment on interest-rate risk hedged portfolios		3,946	4,765
Current and deferred tax liabilities	5.k	2,993	2,920
Accrued expenses and other liabilities	5.l	88,629	87,722
Technical reserves of insurance companies	5.p	185,043	175,214
Provisions for contingencies and charges	5.q	11,345	12,337
Subordinated debt	5.i	16,544	13,936
TOTAL LIABILITIES		**1,894,116**	**1,984,069**
CONSOLIDATED EQUITY			
Share capital, additional paid-in capital and retained earnings		82,839	83,210
Net income for the period attributable to shareholders		6,694	157
Total capital, retained earnings and net income for the period attributable to shareholders		89,533	83,367
Changes in assets and liabilities recognised directly in equity		6,736	6,091
Shareholders' equity		**96,269**	**89,458**
Retained earnings and net income for the period attributable to minority interests		3,691	4,098
Changes in assets and liabilities recognised directly in equity		117	133
Total minority interests		**3,808**	**4,231**
TOTAL CONSOLIDATED EQUITY		**100,077**	**93,689**
TOTAL LIABILITIES AND EQUITY		**1,994,193**	**2,077,758**

(1) Restated according to the IFRIC 21 Interpretation (see notes 1.a and 2).

Board Of Statutory Auditors' Report

IFITALIA S.p.A.
INTERNATIONAL FACTORS ITALIA S.p.A.
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
Registered offices in Via Vittor Pisani 15, 20124 Milan, Italy
Share capital: EUR 55,900,000 fully paid-in
Milan Companies' Register No. and Tax Code 00455820589 Economic & Administrative Roster No. 683665
Register of Financial Brokers - mechanised code no. 19016

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING pursuant to Article 2429, par. 2 of the Italian Civil Code and Article 19 of Italian Legislative Decree No. 39/2010

Shareholders,

During the year ended 31 December 2016, we carried out the supervisory activities envisaged by the law, in observance of the provisions of Article 2403, par. 1 of the Italian Civil Code, Article 19 bis and 19 ter of Italian Legislative Decree No. 39 dated 27 January 2010 and subsequent amendments as well as the Supervisory Instructions for financial brokers issued by means of Bank of Italy circular No. 288/2015, for brokers enrolled in the Register as per Article 106 of the consolidation act of the banking and lending laws (TUB) Italian Legislative Decree No. 385/1993 and according to the standards of conduct recommended by the Italian Accounting Profession.

Ifitalia S.p.A.'s financial statements have been drawn up in accordance with the IASB/IFRS International Accounting Standards and the related IASB/IFRIC interpretations adopted by the European Commission as per the Procedure pursuant to Article 6 of the EC Regulation No. 1606/2001 of the European Parliament and Council of the European Union dated 16 July 2002, as well as in accordance with the matters envisaged by the instructions issued by the Bank of Italy on 9 December 2016 "IFRS Financial Statements of Brokers other than Banking Intermediaries".

The Board of Statutory Auditors acquired the information necessary for the performance of its work, both via constant participation in the meetings of the Board of Directors and via meetings with the Heads of the various company units and divisions.

Specifically, the Board of Statutory Auditors discloses the following.

Following the issue of the new supervisory provisions for financial brokers pursuant to Bank of Italy Circular no. 288 of 3 April 2015, implementing the reform of Title V of the consolidation act of the banking and lending laws (TUB), after implementing all the activities to adjust the organisation and the articles of association to the new regulations and after sending the Bank of Italy (on 8 October 2015) the application for authorisation for the purpose of registration in the consolidated register pursuant to

Article 106 of the consolidation act of the banking and lending laws (TUB), the company was authorised by the Supervisory Body through measure dated 4 April 2016 and registered in the consolidated register starting on 13 May 2016.

The Board oversaw the observance of the law and the articles of association.

It obtained information from the Directors, quarterly and at the time of participation in Board meetings, on the activities performed and the transactions of greatest economic, financial and equity importance carried out by the Company and it can reasonably state that the action resolved and carried out is compliant with the law and the Articles of Association and does not appear manifestly imprudent, hazardous, in potential conflict of interest or in contrast with the resolutions adopted by the shareholders' meeting or such that it compromises the integrity of the company assets.

Intercompany and related party transactions of an ordinary nature have been adequately described in the directors' report and are deemed suitable and compliant with the interests of the Company; where applicable, the regulations laid down by Article 2497 ter of the Italian Civil Code have been observed.

In compliance with the Group instructions and IAS/IFRS international accounting standards, the Board of Directors took steps to draw up and forward the quarterly and interim data for the purposes of the consolidated reports.

The Board of Statutory Auditors acquired awareness of and oversee, insofar as it is responsible, the adequacy of the company's organisational structure and its evolution within the sphere of the BNP Paribas Group, as well as the observance of the standards of correct administration and the observance of the instructions imparted by the Parent Company, by means of gathering information from the heads of the company divisions and meetings with the independent auditors for the purpose of a reciprocal exchange of significant data and information and in this connection it has no particular observations to make.

It is noted that during 2016 the company continued to outsource important operating functions, both to Banca Nazionale del Lavoro and to Business Partner Italia S.p.A.

The Board oversaw that activity through meetings and information obtained from the single Heads of the Outsourced Activities. In that regard, it drew up the considerations set out in Circular no. 288 of 3 April 2015 issued by the Supervisory Authority.

The Board of Statutory Auditors assessed and oversaw the adequacy of the internal audit system and the administrative accounting system as well as the reliability of the latter to correctly represent the operating events, by means of obtaining information from the heads of the respective divisions, the examination of the corporate documents and the analysis of the results of the work carried out by the independent auditors, overseeing the activities of those in charge of internal auditing, in observance of the Supervisory Provisions for Financial Brokers pursuant to Bank of Italy Circular no. 288/2015, Title III regarding administrative and accounting organisation and internal audits.

Accordingly, the Board of Statutory Auditors - both during board meetings and meetings with the Compliance division - received information on the annual audit plans and the reports issued, assessing the results and monitoring the implementation of the corrective action.

In general, the Board of Statutory Auditors noted an essentially satisfactory trend in the results of the Internal Audit reports as well as suitable compliance bases on conclusion of the activities of the Compliance and Permanent Control Co-ordination division.

The Board of Statutory Auditors oversaw the observance of the supervisory instructions and the observance of the anti-money laundering and terrorism funding prevention legislation, with particular regard to the obligations to report suspect transactions and the other obligations as per Italian Legislative Decree No. 231 dated 21 November 2007, regarding the implementation of Directive 2005/60/EC and subsequent amendments, with particular reference to the establishment and activities of the anti-money laundering division in observance of the Bank of Italy Instruction of 10 March 2011 containing "Implementing provisions regarding organisation, procedures and internal audits aimed at preventing use of intermediaries and other persons who carry out financial activities for money laundering and terrorism funding purposes, pursuant to Article 7, par. 2 of Italian Legislative Decree No. 231".

On today's date, the independent auditors issued the audit report on the financial statements as at 31 December 2016 without findings or evidence of other aspects.

During the 2 meetings with the firm appointed to perform the official audit, held for the purposes of a reciprocal exchange of significant data and information, the Board of Statutory Auditors was informed that there were no events or facts deemed reprehensible or worthy of mentioning.

The Board of Statutory Auditors did not issue any written opinions as per the law.

The Board of Statutory Auditors carried out its supervisory activities during the year, taking part in 14 meetings of the Board of Directors and holding 6 audit meetings.

In compliance with the matters envisaged by Italian Legislative Decree No. 231/2001, the Company has endowed itself with an Organisation and Management Model for the prevention of the offences envisaged therein, which is up-dated according to the introduction of new offences subject to the processing of the "Risk Assessment".

During the year the company updated the Model by introducing the eligible offences envisaged by Law 69/2015, Law 68/2015 and Law 186/14.

Also in relation to the function of Supervisory Body assigned to it, the Board met with PricewaterhouseCoopers, monitoring the various phases of the updating work, such as the preparation of the Risk Assessment, the completion of the corrective actions and the definition of the information flow.

In conclusion, the Board of Statutory Auditors can confirm that the supervisory activities carried out during the year and up until today’s date have not revealed any omissions, reprehensible facts or irregularities.

Having taken into account the above, the Board of Statutory Auditors reveals that there is no reason why the financial statements as at 31 December 2016 should not be approved, disclosing a profit of EUR 45,213,901, along with the proposal to allocate the profit formulated by the Board of Directors.

Milan, 5 April 2017

The Board of Statutory Auditors

Mr. Francesco Schiavone Panni
Chairman

Mr. Guido Nori
Acting Auditor

Dr. Roberto Serrentino
Acting Auditor

Auditors' report

MAZARS

Independent auditors' report pursuant to articles 14 and 16 of Legislative Decree n. 39 dated January 27, 2010

To the sole shareholder of
International Factors Italia S.p.A.

Independent auditors' report on the financial statements as at 31 December 2016

We have audited the accompanying financial statements of International Factors Italia S.p.A., which comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes for the period ended December 31, 2016.

Management's Responsibility for the financial statements

The Directors of International Factors Italia S.p.A. are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and with regulation implementing art. 43 del D.Lgs. n. 136/2015.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) issued pursuant to Art.11, par. 3, of D.Lgs. 39/2010. Those standards require to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of International Factors Italia S.p.A. as at December 31, 2016, and of its net income result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with regulation implementing art. 43 del D.Lgs. n. 136/2015.

MAZARS

Report on Other Legal and Regulatory Requirements

Opinion concerning the consistency between the Director's report and the financial statements

We performed the procedures provided by the Standard on Auditing (SA Italia) 720B in order to express, as requested by law, an opinion concerning the consistency between the Director's report and the financial statements as at 31 December 2016 of International Factors Italia S.p.A. The management of International Factors Italia S.p.A. is responsible for the preparation of the Director's report. In our opinion, the Director's report is consistent with the Annual Report for the period ended December 31, 2016 of International Factors Italia S.p.A.

Milan, 5 April 2017

Mazars Italia S.p.A.
(signed on the original)
Marco Lumeridi
Partner – Registered auditor

The report has been translated solely for the convenience of International reader

Shareholders’ meeting resolution

ORDINARY SHAREHOLDERS' MEETING HELD ON 21 APRIL 2017

Resolutions: (EXTRACT)

The shareholders' meeting, chaired by Mario Girotti, met on 21 April 2017, resolved:

- to approve the financial statements for the period ended as at 31 December 2016, as presented by the management body, as well as the report accompanying the same and the proposed allocation of the profit for the year totalling EUR 45,213,901 to the statutory reserve, since the legal reserve has already reached one fifth of the share capital;