IFITALIA
GRUPPO BNP PARIBAS

Financial Report 2018

INTERNATIONAL FACTORS ITALIA S.p.A. - IFITALIA
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
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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

FINANCIAL REPORT 2018

REPORT ON OPERATIONS

2018 Report on Operations

Offices

Milan	20122	Corso Italia, 15 *(from 22/10/2018)* Tel. No. 02/67781

Local Units

Milan	20132	Via Deruta, 19 *(from 10/9/2018)*

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 2018

Board of Directors	MARIO GIROTTI		*Chairman*
	PATRICK PIERRE MARIE GALOUZEAU DE VILLEPIN		*Vice Chairman*
	MICHELA CICENIA		*Director*
	REGINA CORRADINI D'ARIENZO	(from 24 April 2018)	*Director*
	THIERRY VINCENT BERNARD	(from 24 April 2018)	*Director*
	MARCO TARANTOLA	(from 24 April 2018)	*Director*
	VITTORIO GIOVANNI MARIA OGLIENGO (resigned on 15 January 2019)	(from 24 April 2018)	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	GIANLUCA LAURIA		

Introduction and methodological note

As for the 2017 financial year, Ifitalia prepared the consolidated financial statements, which include in the scope of consolidation, other than Ifitalia, only Tierre Securitization srl, the SPV used for securitisation transactions (as described in detail on page 42 of this report) and a de facto subsidiary of Ifitalia.
Given the structure of the securitisation transactions that do not allow the receivables assigned to the SPV to be derecognised from Ifitalia's balance sheet assets, the values of the various items of the consolidated financial statements do not differ substantially from those of Ifitalia's separate financial statements.
For this reason, the values and analyses performed in the Report on Operations refer to Ifitalia's separate financial statements.

Highlights

Ifitalia S.p.A. - Highlights	2018	2017	Var. %
VOLUMES			
Turnover	29,588	29,289	1.0%
- without recourse	26,355	25,757	2.3%
- with recourse	3,233	3,532	-8.5%
ECONOMIC DATA			
Net interest	66	68	-3.7%
Net commissions	40	44	-9.2%
Net banking income	105	112	-5.9%
Administrative expenses	46	47	-3.4%
- *personnel expenses*	*19*	*22*	-9.9%
Net adjustments for impairment of tangible and intangible asse	3	3	4.5%
Net adjustments for impairment of financial assets	0	16	-99.9%
Net operating income	47	49	-3.2%
Profit for the year	33	34	-3.2%
BALANCE SHEET DATA			
Total assets	7,896	*7,487*	5.5%
Total Risk Weighted Assets (RWA)	5,955	*7,182*	-17.1%
Financial assets measured at amortised cost	7,747		
Due from customers	7,662	*7,161*	7.0%
Loans to lending and financial institutions	85	*221*	-61.6%
Available-for-sale assets	5	*6*	-12.5%
Financial liabilities measured at amortised cost	6,969	*6,579*	5.9%
Equity	711	*700*	1.6%
Tier 1 capital	668	*655*	1.9%
Supervisory capital	668	*656*	1.8%
PROFITABILITY, EFFICIENCY AND DIVERSIFICATION INDICES			
R.O.E.	4.7%	4.9%	-4.0%
(*)Cost / income (with amortisation/depreciation)	46.7%	45.2%	3.3%
Net commissions/Earnings margin	38.1%	39.4%	-3.4%

Ifitalia S.p.A.	2018	2017	Var. %
ASSET QUALITY			
Total problem positions	**437**	**519**	**-15.9%**
- in relation to customer receivables	5.70%	7.05%	-19.1%
- coverage percentage	67.44%	52.01%	29.7%
Non-performing positions	**305**	**291**	**4.7%**
- in relation to customer receivables	3.97%	3.95%	*0.7%*
- coverage percentage	79.87%	70.57%	*13.2%*
Unlikely to pay	**104**	**151**	**-30.9%**
- in relation to customer receivables	1.36%	2.05%	*-33.5%*
- coverage percentage	47.11%	41.41%	*13.8%*
Past due positions	**28**	**78**	**-63.6%**
- in relation to customer receivables	0.37%	1.05%	*-65.0%*
- coverage percentage	8.43%	3.03%	*177.7%*
CAPITALISATION RATIOS			
Tier 1 ratio	11.21%	9.12%	22.9%
Solvency ratio	11.21%	9.13%	22.8%
STRUCTURAL DATA			
Employees at year end	**226**	**231**	-2.2%
No. of commercial offices	**16**	**15**	6.7%
- of which in Italy	**16**	**15**	6.7%
INFORMATION ON IFITALIA SECURITY			
Total number of shares	**55,900**	**55,900**	0.0%
- of which ordinary	**55,900**	**55,900**	0.0%
Par value (euro)	**1**	**1**	0.0%
Current value (euro) (*)	**12.72**	**12.52**	1.6%

(*) Effective Equity/total number of share

Results overview

In an economic scenario in which lending activity continues to show modest signs of recovery, the factoring market showed a certain vitality with an increase in turnover (+8%) and average loans (+6%). However, the high level of competition and the availability of liquidity contributed to a further reduction in prices compared to the previous period.

In this context, Ifitalia maintained a selective strategy oriented towards the creation of value, in particular on large-value transactions. Overall in 2018, average loans increased by +3.5% and turnover by +1%. The reduction in net banking income, down 5.9% compared to 2017, was affected by both the contraction in spreads and in non-recurring items, such as interest accrued for late payments by public entities recorded in 2018, which was lower than in 2017.

Selective choices in terms of taking on credit risks led to a decrease in the cost of risk, a reduction of around 38% compared to 2017.

In terms of costs, there was a decrease in administrative expenses mainly due to lower personnel costs that, in 2017, had been affected by the provision for the redundancy plan made in December.

From a financial point of view, **loans to customers** increased from EUR 7,371 million in 2017 to EUR 7,740 million in 2018 (+5%).

The **net banking income** fell from EUR 112.1 million in 2017 to EUR 105.4 million in 2018 (-5.9%). Particularly:

- **net interest** amounted to EUR 65.5 million (EUR 68.1 million in 2017), posting a decline of 3.7% due to lower interest accrued on late payments from public entities, partially offset by higher interest associated with higher average loan volumes (+3.5%) , though with a slightly lower spread (from 1.295% to 1.218%)

- **net commissions**, equalling EUR 40.2 million, decreased with respect to 2017 by EUR 4.1 million (-9.2%). This reduction was caused by the drop in commission income following the lower pricing applied in 2017 compared to 2018 (from 0.187 to 0.182) and the increase in insurance costs.

As regards the **cost of risk**, during 2018 the Company recognised EUR 11.7 million, recording a decrease of 38% on the previous year.
The reduction in net analytical adjustments is the result of the decrease in new additions to NPL and an increase in value write-backs on certain positions of significant amount.
Following the endorsement of certain accounting standards by the European Commission and, specifically, the entry into force of IFRS 9 – Financial Instruments, in 2018 there was a decrease in the cost due to collective impairment, since the adjustment of the write-down to the new standards led to a reduction in capital (FTA-First Time Adoption).

Administrative expenses recorded a 3.4% decrease compared to December 2017:

- ***personnel expenses***, amounting to EUR 19,420 thousand, are down 10% compared to December 2017; this decrease relates to the voluntary redundancy campaign launched in 2017 which required a provision of EUR 2 million;
- **other administrative expenses** increased 2% with respect to last year; this change is essentially due to higher IT costs linked to Cybersecurity and other expenses (searches and information).

Net value adjustments on tangible and intangible assets were EUR 3.5 million against EUR 3.3 million in 2017, posting an increase of EUR 149 thousand. Of these, EUR 0.9 million (EUR 1.2 million in 2017) refer to tangible assets and EUR 2.6 million (EUR 2.2 million in 2017) to intangible assets.

In defining administrative expenses and depreciation and amortisation expenses compared with the net banking income, the cost to income ratio equalled 46.6% in 2018 against 45.2% in 2017.

Other operating income and expenses amounted to EUR 2.8 million, and are substantially in line with the results for 2017 (2.7 million)

Net operating income stood at EUR 47.5 million.

After direct taxes, which were EUR 14 million, the **profit for the year** was EUR 33.1 million (EUR 34.2 million in 2017, -3.2%).

*   *   *

Equity, including the profit for the year, is EUR 711 million (+1.6% against 2017).

As at 31 December 2017, the level of capitalisation for Supervisory purposes was expressed by a Tier 1 Capital Ratio of 11.21% (9.12% in 2017) and by a Total Capital Ratio of 11.21% (9.13% at the end of December 2017).

Market in which the company operates

Macroeconomic scenario

The world economy and the Eurozone

The world economy ended 2018 with real growth around 3.7%, final balance almost similar to that of the previous year. In the latter part of the year, there was a slowdown, particularly in the Eurozone and in some important emerging countries.
After the significant increase in 2017, international trade grew more moderately. The trend in prices of non-energy raw materials slowed down, while oil prices, after having grown considerably in the first three quarters, fell sharply, closing the year below the values of January.
Asia is confirmed as the most dynamic area in the world, with the limited slowdown in China offset by the brilliant performance of India.
For their part, the United States recorded a robust growth (+3%). A moderate increase in real wages was accompanied by a further decline in the unemployment rate, which has fallen to its lowest level in the last 50 years. This led to an increase in consumer spending, which was accompanied by a robust increase in investment. The Federal Reserve continued its programme of gradual normalisation of monetary policy by assessing the state of the national economy as all-in-all satisfactory. During the year, the main reference rate was increased fourfold, an overall increase of one percentage point (Fed funds rate at 2.50%).
The Eurozone recorded a gradual slowdown in 2018, achieving annual growth of only 1.2% in the last quarter, less than half of that achieved in the corresponding quarter of 2017. The responsibility for this weakening of the economy is due to many causes, including, first and foremost, the growing spread of protectionist policies. The consequences of the difficulties in the automotive sector are also significant. In 2018, the European Central Bank confirmed the broadly accommodative tone of its monetary policy. As announced, at the end of 2018 the extensive programme for providing liquidity to the economy through the purchase of securities on the market came to an end. In future months, the ECB will only reinvest the proceeds from the maturity of the securities in its portfolio. However, the European Central Bank announced that it will continue to maintain the reference rates at the levels set in March 2016 for some time to come.

The Italian economy

Also in 2018, Italy achieved a positive economic result (+0.8%), again significantly lower than the average figure for the Eurozone. However, also due to the unfavourable influence of the international economy, the economic change in the last two quarters was negative.
While public spending proposes almost zero rates of change, final household spending continued to grow moderately, driven by the favourable evolution of the labour market. The employment rate returned in line with the pre-crisis figure, while the unemployment rate, although declining, is still far from this target.
Manufacturing output also improved in 2018, although to a lesser extent in the previous year. After almost five years of growth, new car registrations fell sharply in 2018. The decline, concentrated in the second half of the year, mainly affected national brands. The automotive industry and its related industries represent 7-8% of the national manufacturing industry in terms of value added and employment. For its part, the construction industry, while remaining far from the values prior to the 2008-09 crisis, continued its slow recovery process.
The trend in exports remained positive but slowing due to the difficult evolution of the international scenario affected by the tariff war between the United States and China. In contrast to the previous year, sales in the EU countries performed brighter than in the rest of the world.
The significant drop in oil prices pushed the official inflation rate to close to 1% at the end of the year. Core inflation (calculated net of energy products and fresh food) continued to be low (+0.6%), largely similar to the levels recorded at the end of the previous year.

Lending activities in Italy

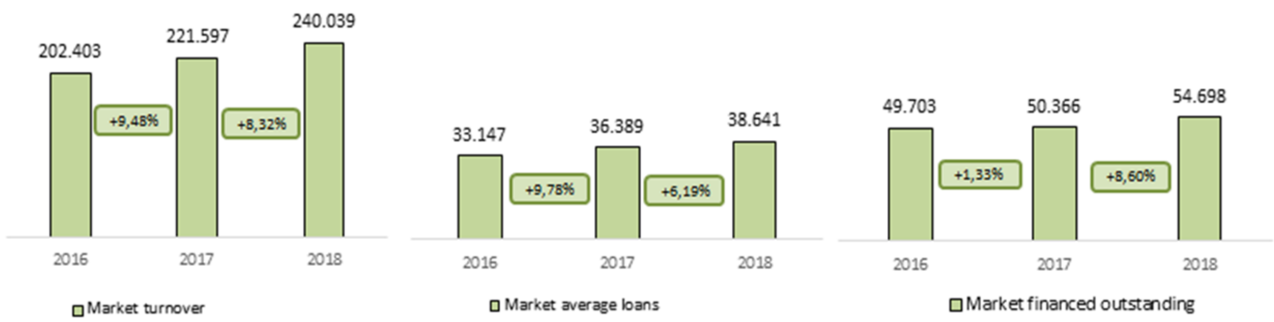
Lending activities in Italy showed signs of recovery in 2018, albeit to a very limited extent. Loans to the non-financial private sector (seasonally adjusted and corrected for the accounting effect of securitisations) increased by 1.8% YoY (November 2018), while loans to the public administration grew +1.4% YoY. Within the former, demand for loans from households continues to be robust (+2.7% YoY), while demand from businesses remains weak (+1.1% YoY).
The growth in loans to businesses affected manufacturing companies (+2.1%) and service companies (+2.3%). The decline in loans to construction companies recorded a certain downsizing (-2.4% in November) while, vice versa, the drop in loans to smaller businesses was further accentuated (-3.2% YoY).
The improvement in the domestic economic context is causing evident improvement in the quality of the loan portfolio. The number of bankruptcies reached a new low; the decline affected all sectors but not the whole Country. In the third quarter, the annualised ratio of the flow of new impaired loans to total live loans was 1.7% given that this summarises a condition not yet normalised in terms of loans to companies (2.8%) and, at the same time, the return of the phenomenon to normal levels in the case of loans to households (1.1%).
Looking at the balances, the quality of the loan portfolio improved as a result of the completion of sale transactions of considerable amounts by several institutions, transactions that mainly involved abnormal loans to companies. In the first nine months of 2018, the number of non-performing loans (gross of value adjustments) fell by almost one fifth (to EUR 216 billion), an amount that reduces the ratio of total loans to less than 10%. Net of the write-downs made, the ratio to total loans is 4.8%.
During 2018, the portfolio of government securities increased again. Its share of total assets (just under 10%) is significantly higher than in the rest of the Eurozone.
In terms of collections, the current accounts continued to grow (slightly above +8% on average for the year), partly generated by weakening in other forms of deposits. Conversely, the contraction in bonds has not eased (-13.4% on average for the year).
Asset management activities also benefited in 2018 from positive net inflows (EUR 7 billion) but was well below that recorded in 2017 (almost 100 billion). Total assets managed are just over EUR 2 trillion.

The factoring market

Based on the figures provided by Assifact in 2018, the Factoring market, in terms of **turnover**, came to EUR 240,039 million, up 8.32% over the previous year. Average loans increased by 6.19%. This trend was supported by a few high value transactions, which must be taken into account for a more consistent analysis of the market trend.

In terms of the ratio of factoring market turnover to national GDP, 2018 shows the consolidation of the figure for the previous year at a value close to 13.7%.
This market continues to remain highly concentrated in the hands of the 3 main players.

In terms of **loans**, the market was EUR 54,698 million at the end of 2018, up 8.6% compared to 2017; **average loans** of EUR 38,641 million increased by 6.19%.



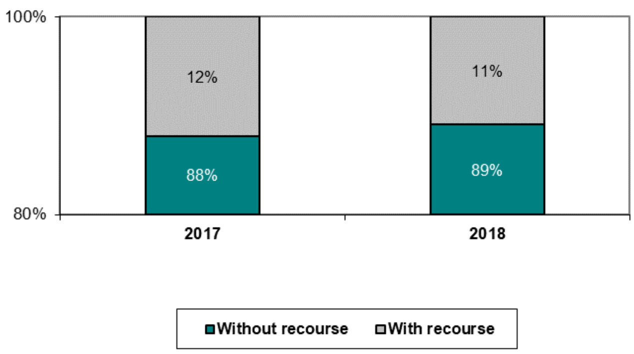
Ifitalia's competitive positioning

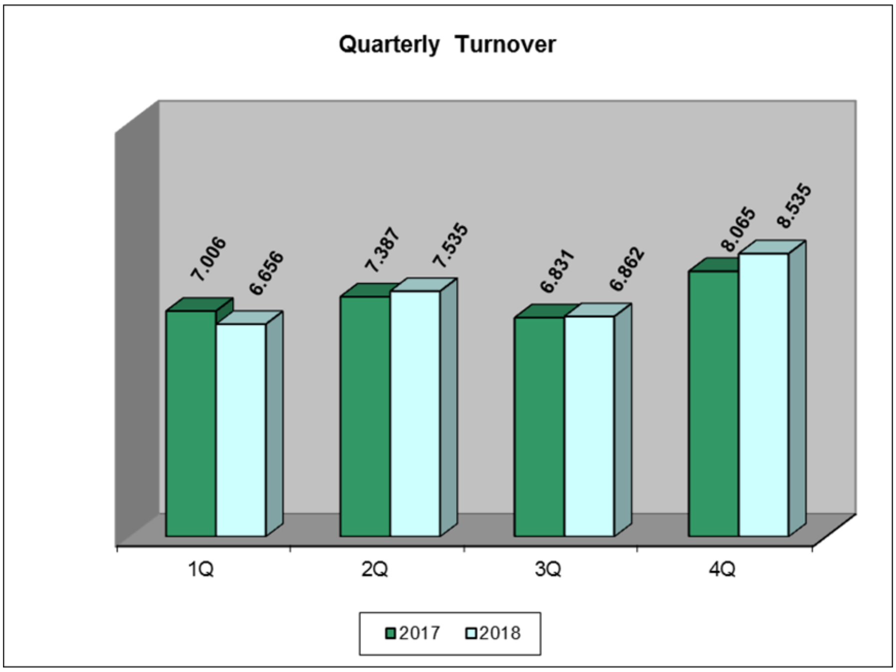
Turnover

Ifitalia's *turnover*, or flow of loans/receivables acquired by the Company during 2018, reached EUR 29,588 million (EUR 29,289 million in 2017), representing growth of 1%.
With regard to the distribution across products, carried out according to the contractual form, without-recourse factoring represented 89% of total turnover (88% in 2017) while with-recourse factoring represented 11% (12% in 2017).

(in milions of €)

TURNOVER	31/12/2018	31/12/2017	Changes	%
Without recourse	26,355	25,757	598	2.3%
With recourse	3,233	3,532	(300)	-8.5%
Total	**29,588**	**29,289**	**299**	**1.0%**

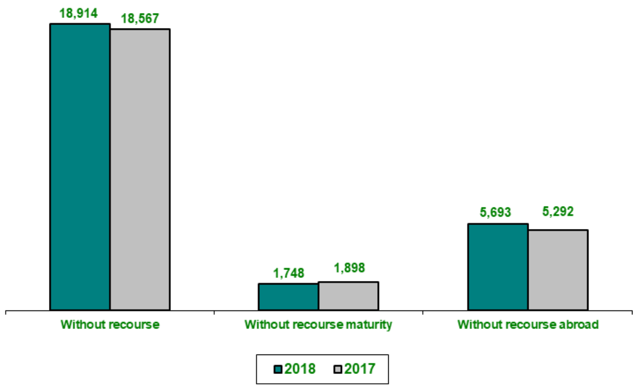


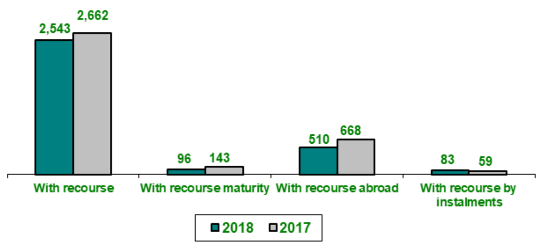


As regards the composition, the graphs below show without-recourse and with-recourse factoring further broken down into their income components.

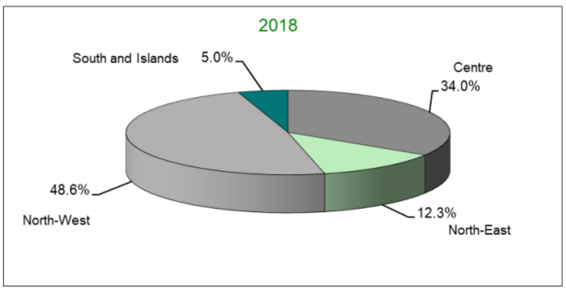
(in milions of €)

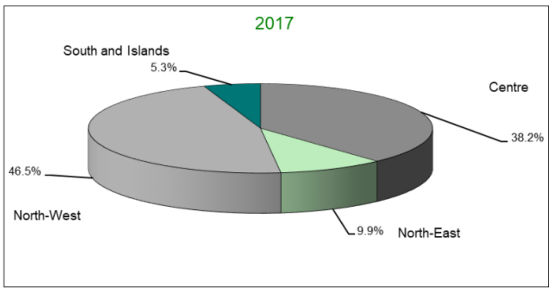
Product	Turnover 2018	Turnover 2017	Changes	%	Incidence % 2018
Without recourse	18,914	18,567	347	1.9%	63.9%
Without recourse maturity	1,748	1,898	(150)	-7.9%	5.9%
Without recourse abroad	5,693	5,292	400	7.6%	19.2%
Total	**26,355**	**25,757**	**598**	**2.3%**	**89.1%**
With recourse	2,543	2,662	(119)	-4.5%	8.6%
With recourse maturity	96	143	(47)	-32.6%	0.3%
With recourse abroad	510	668	(158)	-23.6%	1.7%
With recourse by instalments	83	59	23	39.3%	0.3%
Total	**3,233**	**3,532**	**(300)**	**-8.5%**	**10.9%**
TOTALE	**29,588**	**29,289**	**299**	**1.0%**	**100%**





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





The graphs above show turnover broken down by geographic area; in relation to Italy, which represents 93.5% (EUR 27,672 million) of the total, turnover increased slightly in absolute value compared with 2017 (EUR 27,274 million, 93.1% of the total).
Foreign turnover amounted to EUR 1,915 million (EUR 2,015 million in 2017) and represents 6.5% of total turnover (6.9% in 2017).

				(milioni di euro)
Areas	**2018**	**% of the total**	**2017**	**% of the total**
CENTRE	9,417	31.8%	10,419	35.6%
NORTH-EAST	3,413	11.5%	2,703	9.2%
NORTH-WEST	13,462	45.5%	12,695	43.3%
SOUTH AND ISLANDS	1,381	4.7%	1,457	5.0%
TOTAL FOR ITALY	27,672	93.5%	27,274	93.1%
ABROAD	1,915	6.5%	2,015	6.9%
TOTAL TURNOVER	**29,588**	**100.0%**	**29,289**	**100.0%**

With reference to the **sectors of economic activities**, 2018 turnover presented the following breakdown:

TURNOVER BY ECONOMIC SECTOR	YEAR 2018	YEAR 2017	DELTA
52 Energy products	18.7%	23.0%	-18.8%
67 Commerce, recovery, repair services	17.0%	14.7%	15.4%
00 Unclassified subjects	14.5%	16.0%	-9.3%
73 Other services for sale	10.5%	8.6%	22.4%
60 Means of transport	7.0%	8.0%	-13.0%
72 Communication services	5.6%	5.0%	11.3%
61 Foodstuff and tobacco products	3.9%	3.4%	12.9%
59 Electric materials and supplies	2.8%	2.6%	7.4%
56 Metal products excluding means of transport	2.7%	1.8%	46.4%
63 Paper, paper products, press products, publishing	2.3%	2.2%	2.7%
66 Construction and public works	2.0%	1.9%	5.9%
55 Chemicals	1.9%	1.9%	1.4%
57 Agricultural and industrial machines	1.7%	1.1%	54.9%
64 Rubber and plastic products	1.6%	2.0%	-16.7%
53 Minerals, ferrous and non ferrous metals	1.5%	1.6%	-5.5%
71 Services connected to transports	1.4%	1.2%	18.6%
69 Internal transport services	1.1%	1.0%	9.1%
65 Other industrial products	1.1%	0.5%	118.8%
62 Textiles, footwear and clothing	1.0%	1.0%	1.4%
68 Hotel and public services	0.6%	0.5%	29.5%
58 Office machines, computers, precision tools, etc.	0.5%	0.6%	-14.9%
51 Farming, forestry, fishery products	0.5%	0.5%	-12.4%
54 Minerals and non-metallic mineral products	0.3%	0.8%	-59.9%
70 Maritime and air transport services	0.0%	0.2%	-100.0%
Total	**100%**	**100%**	

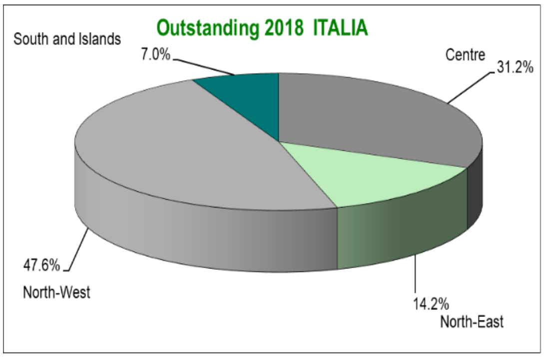
This year, the industries that made the most use of factoring were “Energy products” (18.7%; -18.8% compared to 2017), “Commerce services” (17%; +15.4% compared to 2017), “Other services for sale” (10.5%; -22.4% compared to 2017), and “Means of transport” (7%; -13% compared to 2017).
The first ten sectors represent 84.8% of total turnover (85.4% in 2017).

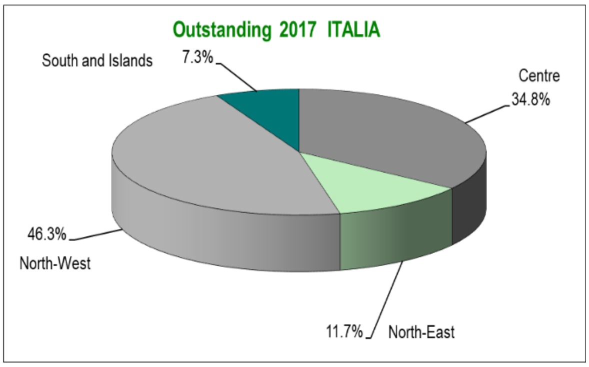
Outstanding positions

The stock of loans/receivables at nominal value effectively factored at year end amounted to EUR 9,049 million (EUR 8,653 million in 2017,+ 4.57%), of which EUR 7,687 million (84.96% of total loans/receivables) refers to contracts factored without recourse, while EUR 1,361 million concerns with recourse contracts (15.04% of the total).
Within the amounts indicated above, total international factoring transactions amounted to EUR 1,621 million (17.91% of the total), of which EUR 1,481 million for export transactions (EUR 1,249 million in 2017) and EUR 140 million for import factoring transactions (EUR 142 million in 2017).

Outstanding positions in Italy came to EUR 8,505 million compared with EUR 8,151 million in the previous year and represent 94% of total outstanding positions (94.2% in 2017).

As regards the geographic breakdown of Domestic customers, from the **transferor side,** a decrease of 3.6% was recorded in the “Central" area (34.8% in 2017 versus 31.2% in 2018), offset by an increase in the “North East” area of +2.5% (from 11.7% in 2017 to 14.2% in 2018) and in the “North West” area +1.4% (from 46.3% in 2017 to 47.6% in 2018).



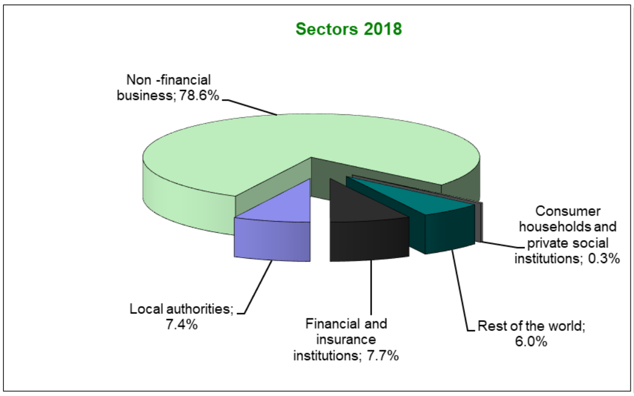


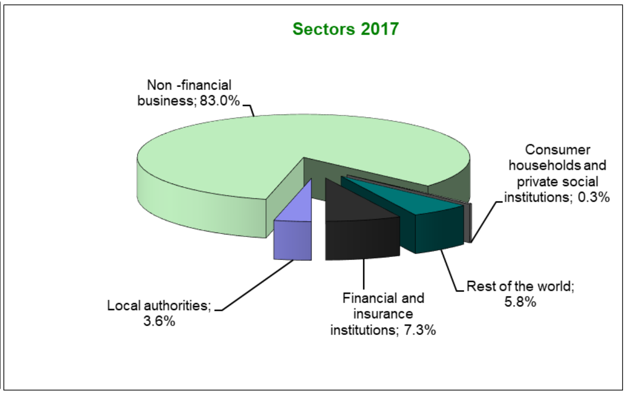
With regard to the foreign segment, the outstanding balance, considered in relation to the nationality of the transferor, came to EUR 544 million (EUR 502 million in 2017) and represented 6% of the total outstanding amount (5.8% in 2017).

OUTSTANDING BALANCE (millions of euros)

Areas	2018	% of the totale	2017	% of the totale
CENTRE	2,654	29.3%	2,838	32.8%
NORTH-EAST	1,204	13.3%	951	11.0%
NORTH-WEST	4,050	44.8%	3,770	43.6%
SOUTH AND ISLANDS	597	6.6%	592	6.8%
TOTAL FOR ITALY	8,505	94.0%	8,151	94.2%
ABROAD	544	6.0%	502	5.8%
TOTAL OUTSTANDING BALANCE	**9,049**	**100.0%**	**8,653**	**100.0%**

The breakdown of loans/receivables by segment confirms that in 2018 78.6% of these amounts was attributable to transferors belonging to the category for non-financial businesses (83% in 2017).



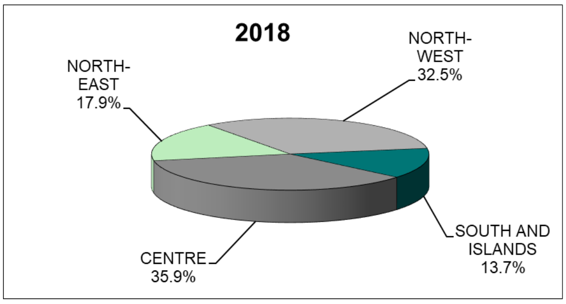


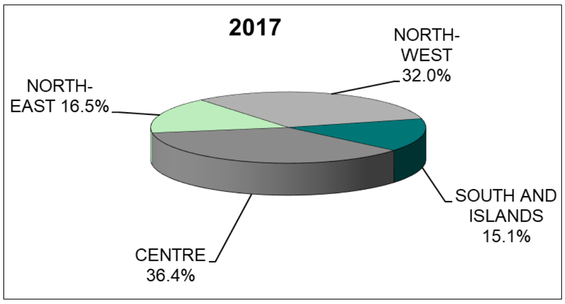
By contrast, with regard to the breakdown of these amounts according to the segment the transferor belongs to, the following table confirms that 62.2% of the customer portfolio concerns loans/receivables deriving from the top five segments of economic activities; adding the next five, 81.6% of the total amount is reached.
Two of the most significant sectors are “Commerce, recovery, and repair services” and “Other services for sale”, representing 17.7% and 11.3%, respectively.

These sectors are followed by “energy products” (8.2%) and “means of transport” (7.5%).

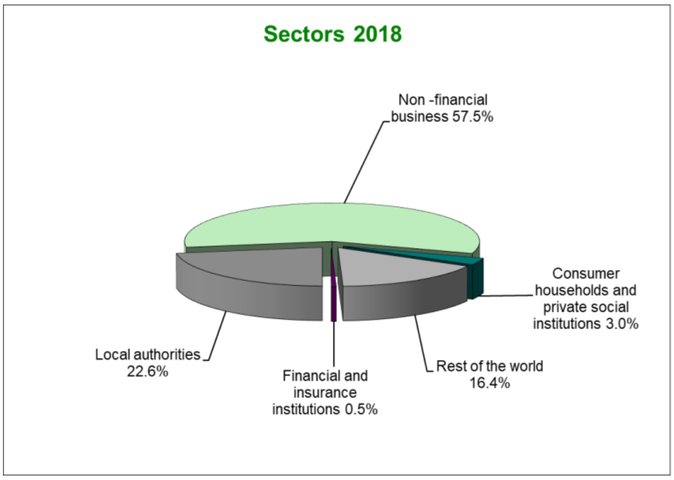
	OUTSTANDING BY ECONOMIC SECTOR	YEAR 2018	YEAR 2017	DELTA
67	Commerce, recovery, repair services	17.7%	16.8%	5.1%
0	Unclassified subjects	17.6%	13.5%	30.4%
73	Other services for sale	11.3%	16.1%	-30.0%
52	Energy products	8.2%	10.3%	-21.0%
60	Means of transport	7.5%	8.0%	-7.0%
66	Construction and public works	4.8%	4.5%	5.9%
59	Electric materials and supplies	3.9%	3.3%	16.9%
57	Agricultural and industrial machines	3.7%	2.7%	36.0%
56	Metal products excluding means of transport	3.6%	2.5%	44.3%
63	Paper, paper products, press products, publishing	3.4%	3.5%	-2.5%
61	Foodstuff and tobacco products	3.2%	2.6%	26.8%
72	Communication services	2.7%	2.8%	-2.3%
55	Chemicals	2.1%	2.0%	6.5%
64	Rubber and plastic products	2.1%	2.4%	-13.7%
71	Services connected to transports	1.6%	1.2%	28.0%
62	Textiles, footwear and clothing	1.3%	1.4%	-5.1%
53	Minerals, ferrous and non ferrous metals	1.2%	1.3%	-7.5%
65	Other industrial products	1.2%	0.6%	100.8%
69	Internal transport services	1.1%	0.9%	19.1%
58	Office machines, computers, precision tools, etc.	0.6%	0.9%	-30.2%
51	Farming, forestry, fishery products	0.4%	0.5%	-22.3%
54	Minerals and non-metallic mineral products	0.3%	0.9%	-63.4%
68	Hotel and public services	0.3%	0.6%	-54.0%
70	Maritime and air transport services	0.2%	0.5%	-59.9%
	Total	**100%**	**100%**	

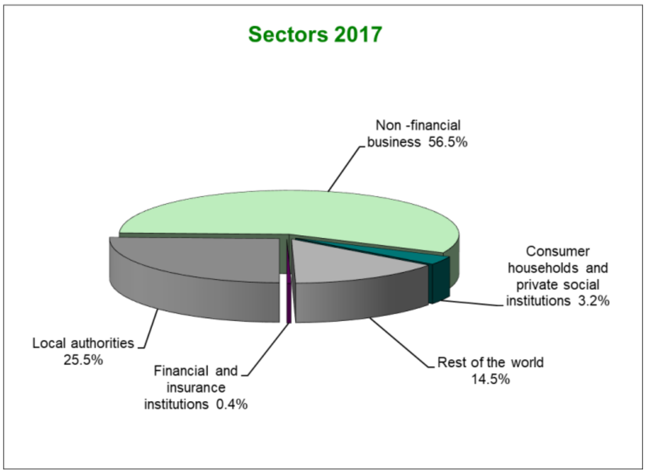
Following the previously analysed distribution of the outstanding transferor balances by geographic area, the same figure is now analysed seen from the **debtor side**. The graphs below reveal that, in relation to the previous year, the “North East” and “North West” areas increased by 1.4% and 0.5%, respectively; whereas the “Central” and “South and Islands” areas recorded a decrease of 0.5% and 1.4%, respectively.





Likewise, the breakdown by sectors of economic activities, again analysed from the **debtor side**, expressed the situation indicated below, which revealed substantial growth in debtors belonging to the "Non-financial companies" segment from 56.5% in 2017 to 57.5% in 2018 and a decrease in the "Public Administration" segment, which dropped from 25.5% in 2017 to 22.6% in 2018.





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:

- **net interest** is EUR 65.5 million (-3.7%) versus EUR 68.1 million in 2017. The reduction in net interest was mainly due to the reduction in the average spread (-8bps) applied to customers and lower interest accrued for late payments by public entities, partly offset by higher interest associated to the increase in the volume of average loans (+3.5%).

(in milions of €)

	31/12/2018	31/12/2017	Var %
Net interest	**65.5**	**68.1**	**-3.7**

- **net commissions**, equalling EUR 40.2 million, decreased with respect to 2017 by EUR 4 million (-9.2%). The trend was affected by a decrease in commission income; these equalled EUR 53.7 million compared to EUR 57.5 million in 2017. This reduction is mainly attributable to lower average commission applied to customers (-1bps), partially offset by the increase in turnover volumes (+1%); malus commissions also decreased significantly as a result of fewer measures under guarantee.

(in milions of €)

	31/12/2018	31/12/2017	Var %
Commission income			
Services for factoring transactions	53.7	57.5	-6.7
Commission income	**53.7**	**57.5**	**-6.7**
Commission expense			
Other services	-13.5	-13.3	1.7
Commission expense	**-13.5**	**-13.3**	**1.7**
Net commission	**40.2**	**44.2**	**-9.2**

The **net trading profit (loss)**, equating to a revenue of EUR 54 thousand (EUR 230 thousand in 2017), derives from the valuation at fair value (level 2) of derivatives coming from BNL.

Moreover, **dividends** of EUR 59 thousand (EUR 27 thousand in 2017) were recorded, essentially relating to the participatory association in film works.

Adding net commissions and the aforementioned components to net interest, **net banking income** totals EUR 105 million (EUR 112.1 million in 2017; -5.9%).

Net value adjustments for impairment of financial assets

(in milions of €)

	31/12/2018	31/12/2017	Var %
Net value adjustments/writebacks for impairment of loans and receivables			
Net value adjustments/writebacks for discounting interest (*)	2.1	*-1.6*	-237.6
Net value adjustments, analytical	7.9	15.6	-49.1
non-performing loans	*4.2*	*12.2*	*-65.6*
problem loans	*0.0*	*-0.1*	*-98.2*
restructured receivables	*3.7*	*3.5*	*6.7*
Total impairment	-0.2	1.8	-108.6
Total net value adjustments/writebacks	**9.9**	**15.9**	**-37.6**
Discounting interest (*)	*0.0*	*3.9*	*-100.0*
Operational Risk	*1.8*	*-1.0*	*-272.0*
Cost of Risk Total	**11.7**	**18.8**	**-37.8**

The reduction in net analytical adjustments is the result of the decrease in new additions to NPL and an increase in value write-backs on certain positions of significant amount.

(*) *As required by the new financial statement regulations, as from 2018 interest from time value is shown under net interest income and no longer included in net value adjustments. In 2017, this interest was included in net value adjustments.*

Administrative expenses

			(in milions of €)
	31/12/2018	31/12/2017	Var %
Administrative expenses:	-45.7	-47.3	-3.4
personnel expenses	*-19.4*	*-21.5*	*-9.9*
others administrative expenses	*-26.3*	*-25.8*	*2.1*
of which: indirect taxes and dues	*1.2*	*1.2*	*2.0*
Administrative expenses:	**-45.7**	**-47.3**	**-3.4**

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

- **personnel expenses** decreased 10% compared with 2017; this reduction was due to the one-shot allocation of EUR 2 million for the voluntary redundancy provision made in 2017;
- **other administrative expenses** increased by 2.1% on 2017 essentially as a result of the increase in IT costs linked to Cybersecurity.

Other income components

The **net value adjustments on tangible and intangible assets** were EUR 3.49 million, an increase of 4.5% compared with the EUR 3.34 million in 2017. Of these, EUR 0.93 million (EUR 1.15 million in 2017) refer to tangible assets and EUR 2.56 million (EUR 2.19 million in 2017) to intangible assets. The increase in amortisation of intangible assets is due solely to capitalised software, mainly associated with the optimisation and renewal of the company's IT procedures.

In light of the above, the **net operating income** and **profit (loss) from current operations before taxes** generated profit of EUR 47.5 million, EUR 1.5 million lower than 2017.

After income taxes, the **profit for the year** came to EUR 33.1 million (EUR 34.2 million in 2017, -3.2%).

			(in milions of €)
	31/12/2018	31/12/2017	Var %
Net operation income	**47.5**	**49.0**	**-3.2**
Income taxes for the year on current operations	-14.4	-14.8	-3.3
Profit from current operations net of taxation	**33.1**	**34.2**	**-3.2**
Profit for the year	**33.1**	**34.2**	**-3.2**

Balance sheet items

Loans and receivables

(in milions of €)

	31/12/2018	31/12/2017	Var %
Due from customers	**7,739.5**	**7,370.8**	**5.0**
- Factoring	7,739.5	7,370.8	5.0
Due from banks	**7.7**	**10.4**	**0.0**
Loans and receivables	**7,747.2**	**7,381.2**	**5.0**

Loans and receivables, net of value adjustments, totalled EUR 7,747 million, compared with EUR 7,381 million in the previous year, therefore with an increase of 5%.
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 that have not transferred all the risks and benefits, and loans to debtors granted for conceded payment extensions.

Credit quality

Impaired loans and receivables decreased in 2018 from EUR 519 million in 2017 (EUR 249 million net; 3.4% of total loans) to EUR 437 million in 2018 (EUR 142 million net; 1.8% of total loans and receivables).

(in milions of €)

	Gross exposure	Value adjustments	Net exposure	% hedging	% incidence on due from customers
31/12/18					
Non-performing loans	304.5	243.3	61.3	79.9	0.8
Problem loans	104.3	49.1	55.1	47.1	0.7
Restructured receivables	28.3	2.4	25.9	8.4	0.3
Total impaired receivables	**437.1**	**294.8**	**142.3**	**67.4**	**1.8**
31/12/17					
Non-performing loans	291.0	205.3	85.6	70.6	1.2
Problem loans	150.9	62.5	88.4	41.4	1.2
Restructured receivables	77.6	2.4	75.2	3.0	1.0
Total impaired receivables	**519.5**	**270.2**	**249.3**	**52.0**	**3.4**

The total of **impaired loans and receivables**, net of value adjustments, amounted to EUR 142 million (249 million in 2017) with a comprehensive hedging of 67.4% (52% in 2017). These loans and receivables particularly concern:

- **non-performing loans**, amounting to EUR 305 million (EUR 291 million in 2017) which, 79.9% of which hedged (70.6% in 2017), present a net value of EUR 61.3 million (EUR 85.6 million in 2017);
- **unlikely to pay**, totalling EUR 104 million (EUR 151 million in 2017) which, net of the related hedges of 47.1% (41.4% in 2017) present a net value of EUR 55.1 million (EUR 88.4 million in 2017). This category includes unlikely to pay receivables, subject to postponement and not subject thereto;

- **past due receivables** amount to EUR 28.3 million (EUR 77.6 million in 2017). This decrease can be associated with the exit of some important positions. 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 sales of tax credits (VAT, IRPEG, etc.); these loans and receivables have an undetermined maturity.

Liability provisions

			(in milions of €)
	31/12/2018	**31/12/2017**	**Var %**
Provision for employees termination benefits	4.1	4.7	-14.1
Provision for risks and charges	13.1	13.6	-3.8
b) other provisions	13.1	13.6	-3.8
Total	17.1	18.3	-6.5

As at 31 December 2018, **liability provisions** were EUR 17.1 million (-6.5% compared with 18.3 million in 2017) and represent the allocations needed to cover 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 2018, the provision was EUR 4.1 million (EUR 4.7 million at the end of 2017).

The **other provisions**, equalling EUR 13.1 million, include:

- *provision for legal disputes*, equalling EUR 10.7 million (EUR 9.93 million at the end of 2017) for allocations against revocations and legal proceedings;
- *personnel expenses,* equalling EUR 2.35 million (EUR 3.65 at the end of 2017) down due to the use of provision for redundancy incentives for employees who have joined the plan.

Equity items

Equity as at 31 December 2018 amounted to EUR 711 million (EUR 699.8 million in 2017), up by 2% due to the following changes:

Equity as at 31 December 2017	**699.77**
2018 changes:	
- net profit as at 31 December 2018	33.10
- FTA IFRS 9 other reserves (stage 1,2,3)	-21.92
- change in valuation reserve	0.10
Equity as at 31 December 2018	**711.05**

With regard to the capital adequacy of Ifitalia as at 31 December 2018, Ifitalia closed with **total own funds** of **EUR 667.6 million**, up EUR 11.96 million, in the presence of total capital requirements of EUR 357.2 million with a capital surplus of EUR 310.4 million. The Tier 1 came to 11.21% and the Total Capital Ratio was 11.21%.
Own funds as at 31 December 2018 do not include the 2018 profit, which will be capitalised following approval of the financial statements by the Shareholders' Meeting.

A summary of the figures relating to the capital adequacy follows

	2018	2017	Var. %
Tier 1 capital	667.6	655.3	1.9
Tier 2 capital	0.0	0.0	0.0
Elements to be deducted	0.0	0.0	0.0
Transitional regime - impact of T2 (+/-)	0.0	0.3	(100.0)
SUPERVISORY CAPITAL	**667.6**	**655.6**	**1.8**
Risk Weighted Assets (*)	**5,954.8**	**7,182.2**	**(17.1)**
Total prudential requirements	**357.2**	**431.1**	**(17.1)**
Capital excess	**310.4**	**224.5**	**38.2**
Tier 1 capital ratio	11.21%	9.12%	22.9
Total capital ratio	11.21%	9.13%	22.8

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

The reduction in risk-weighted assets is mainly due to:
- the use of external ratings by certified ECAIs from September 2018 onwards. In particular, Ifitalia makes use of the ratings provided by Cerved with regard to the customers of the Corporate Italia portfolio
- moreover, as of 2018, with the lowering of the limit for large risks to 25% of own funds, Ifitalia is no longer subject to the requirement for large risk positions exceeding 25% up to 40% of own funds. In 2017, this requirement was EUR 26 million (approximately RWA 400 million).

IFITALIA
GRUPPO BNP PARIBAS

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, totalled EUR 5,709 million and represented the majority of amounts owed to banks; the remaining part is represented by exposures to BNL for an amount of EUR 546 million.

In relation to securitisation transactions, Ifitalia as at 31 December 2018 has a debt position to spv of EUR 346 million, which represents the portion of the securitised portfolio financed by other companies of the group. The related income transferred to other Group companies amounted to EUR 1.993 million.

With regard to the operating transactions with 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 5.979 million (EUR 5.588 million in 2017).

The services provided in 2018 by the consortium company Business Partner Italia ScpA within the sphere of the support services relating to facility management, HR management, procurement and operations, came to EUR 6.306 million (EUR 6.428 million in 2017).

Expenses/profits were also recorded for staff seconded respectively from or to other Group companies for an annual total of EUR 2.512 million in 2018 (EUR 2.496 in 2017).

In 2018 income from rents receivable was also recorded of EUR 0.401 million (EUR 0.397 million in 2017).

With regard to general accounting activities, preparation of financial and tax reporting, and the handling of the accounting audits, Ifitalia makes use of outside servicing provided by BNL Spa for a total cost in 2018 of EUR 0.785 thousand (EUR 0.950 million in 2017).

Furthermore, the company makes use of an internal audit service offered by BNL, based on the BNP Paribas guidance regarding Internal Control Systems. The total costs sustained were EUR 0.350 million (EUR 0.370 million in 2017).
Expenses for coordinating factoring activities at the group level, performed by the "Global Factoring Competence Centre", were incurred for EUR 0.484 million in 2018 (EUR 0.476 million in 2017).

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 2.550 million total (EUR 2.800 million in 2017).

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 transactions between the Bank and related parties are carried out at market conditions.

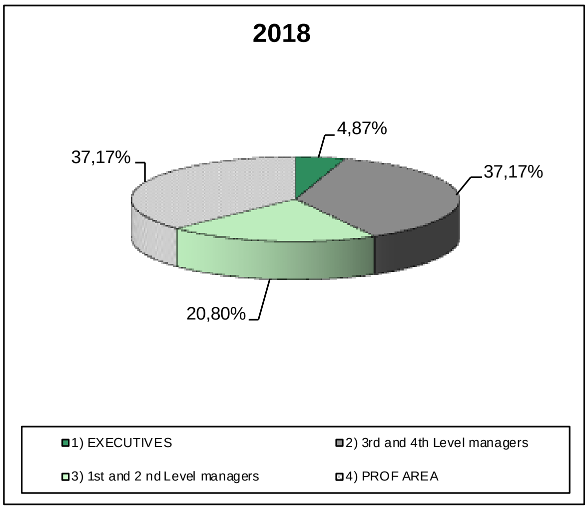
The summary of equity and economic relations for 2018 with the parent company and other companies belonging to the BNL-BNPP Group originating from financial or commercial relations are indicated on page 125 of the Notes to the Accounts.

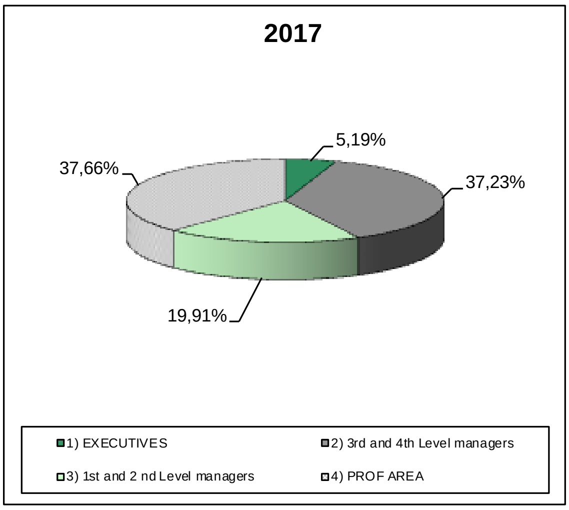
Human resources

The personnel as at 31 December 2018 (middle managers and employees) - amounts to 226 individuals (changed from 31 December 2017); broken down as in the tables below:

Distribution by grading

Category	31/12/2018	31/12/2017	2018 in %	2017 in %
1) EXECUTIVES	11	12	4.9%	5.2%
2) 3rd and 4th Level managers	84	86	37.2%	37.2%
3) 1st and 2 nd Level managers	47	46	20.8%	19.9%
4) PROF AREA	84	87	37.2%	37.7%
Total	**226**	**231**	**100%**	100%

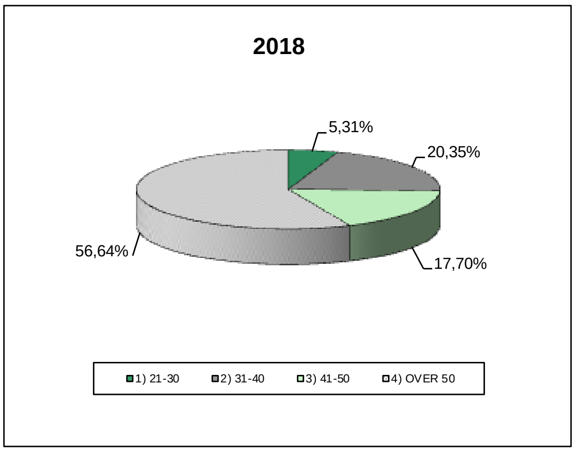


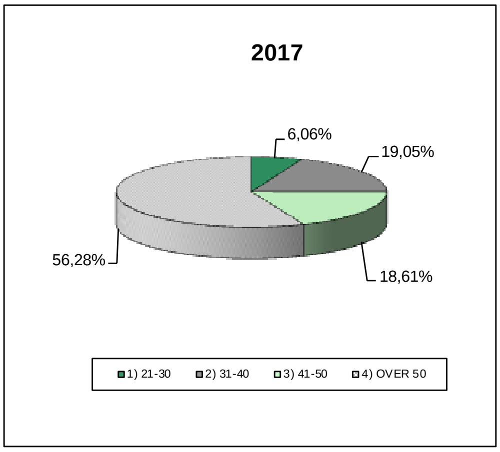


Following the acquisition from BNL of the former BPI "operation" business segment on 1 January 2019 (as better described in the paragraph "organisational structure"), Ifitalia's workforce from that date increased by 50 resources, 15 of whom were seconded.

Distribution by age

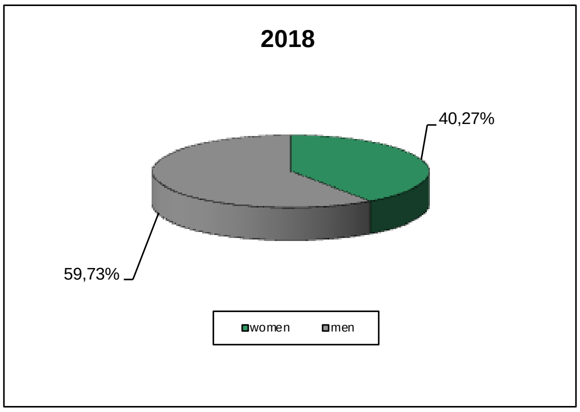
Age group	31/12/2018	31/12/2017	2018 in %	2017 in %
1) 21-30	12	14	5.3%	6.1%
2) 31-40	46	44	20.4%	19.0%
3) 41-50	40	43	17.7%	18.6%
4) OVER 50	128	130	56.6%	56.3%
Total	**226**	**231**	**100%**	100%

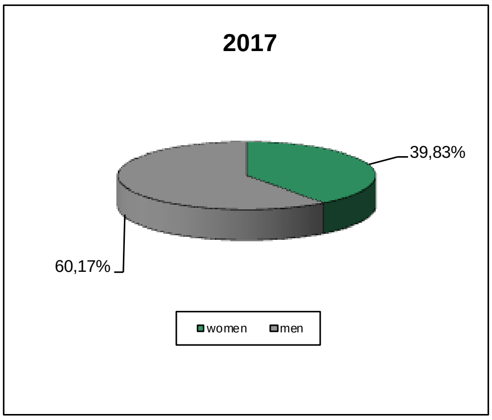




Distribution by gender

Category	31/12/2018	31/12/2017	2018 in %	2017 in %
women	91	92	40.3%	39.8%
men	135	139	59.7%	60.2%
Total	**226**	**231**	**100.0%**	100%





Management Policies and Human Resources Development

The procedures and related tools for managing and developing Human Resources in Ifitalia are designed and governed in close synergy with those adopted within BNP Paribas Group in Italy.

In particular, since the second half of 2018, work has been underway on the implementation of a new intra-group performance and mobility management system - ABOUT ME - aimed at making the methods for managing development and career paths increasingly homogeneous within the Group.

With regard to mobility, during 2018, change processes were activated for about 10% of the business population with the objective of offering people and, consequently, the organisation as a whole, opportunities for enrichment and skill development. In particular, 19 colleagues changed roles, 6 mobility procedures were activated with Group companies in Italy and, finally, 10 external people were hired (including contract transformations). All of these actions were aimed at further strengthening customer management and development activities.

The management strategy is confirmed as being focused on the substantial involvement of direct managers in guiding employees, as well as in identifying and preparing individual development plans. This will be even more central thanks to the use of the new digital platform ABOUT ME that will allow the exchange of feedback between head and employee in the name of immediacy and horizontal communication.

Training

With a view to continuous evaluation and growth of the Company's human resources, investments continued to be made in training activities during 2018.
The total training hours provided in 2018 came to 6,136, equal to approximately 3.20 days per capita, between classroom-based and remote courses.

With regard to the offer, in addition to having a rather rich and extensive training catalogue, which concerns both behavioural/managerial and technical matters, we conducted in-house initiatives specifically aimed at commercial and managerial roles.

With reference to training topics, 26% were of a technical-specialist nature, 40% related to regulations, and 33% were behavioural and linguistic.

The coverage of the business population was 100%.

Selection and Employer Branding

In collaboration with the other Group companies, the commitment to Employer Branding has grown, with the objective of increasing and expanding the presence of BNP Paribas Group and Ifitalia in the labour market.

The Employer Branding initiatives in which Ifitalia participates, in collaboration with other BNP Paribas entities in Italy, includes the Ambassador Programme: initiatives intended for universities and aimed at promoting the image of the company within Italian universities.

During the year, 10 recruits were also hired.

Remuneration policies

Remuneration tools adopted in 2018 for personnel were divided into interventions to the fixed component of remuneration (raises and promotions) and to the variable component (bonuses, incentive plans, company bonuses, welfare), in line with defined standards and guidelines.

OTHER INFORMATION

Organisational structure

The main change in the organisational structure that took place in 2018 was the introduction of the "4 Eyes" model applied to the process of assuming non-recourse debtor risks.
In particular, the new model involved:

- the transfer of the approval phase of non-recourse debtor practices from the Risk Division to the Sales Division, giving a new structure, specifically set up for this purpose, responsibility for resolving, within the limits of the powers granted, without-recourse limits and related renewals, subject to obtaining a lending opinion (risk opinion) from the Risk Division;
- assigning to the Risk Division the responsibility of issuing a lending opinion (risk opinion) on the above practices approved by the Sales Division.

The new model became effective in July 2018.

In the last part of the year, the Board of Directors also approved the following organisational changes by resolutions of 22 November 2018 and 20 December 2018:

- the re-internalisation of the Operations outsourced to Banca Nazionale del Lavoro S.p.A. that in turn replaced Business Partners Italia S.C.p.A. as part of a corporate transaction involving the BNP Paribas Group in Italy. Following this transaction, Ifitalia resolved, with effect from 1 January 2019, to acquire the Operations business segment from BNL S.p.A.;
- to outsource to BNL S.p.A. the management of the Business Continuity framework, subject to obtaining the required authorisation from the Bank of Italy, to which the application for authorisation was submitted. Outsourcing will take place in the first quarter of 2019.

The new organisational structure resulting from the re-internalisation of the Operations area became operational on 1 January 2019, through the creation of the new Production and Commercial Assistance Division (PAC) into which the above-mentioned activities were merged.
This Division, consisting of two back-office structures, in addition to the General Services, is responsible for ensuring the efficient administrative management of entrusted customers, in close liaison with the Management Division, ensuring the completion and management of the documents relating to the lending procedures and guarantees that support the facilities, and providing support in managing the activities of entering into relations.

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.

Use of the internal systems (AIRBA)

With regard to the use of internal models to calculate the capital requirement for Credit Risk, in 2018 the Company completed the strengthening of the Internal Rating System (identified following the pre-assessment activities carried out by the Bank of Italy in 2017) and is working to send the application request by the first half of 2019. The target is to switch to an advanced approach by 2020.

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 (known as CRR) and directive 2013/36/EU (known as CRD IV).

As illustrated in Circular no. 228, the Supervisory Review Process (SRP) is divided into two integrated phases. The first is represented by the internal process for determining 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 ICAAP review, 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 2017 and is about to prepare the new ICAAP as at 31 December 2018 by 30 April 2019.

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

All information concerning the policies for the handling of the risks and the related hedging policies is presented 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), amended and supplemented 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 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 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 defined a **Business Continuity** 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 manage crisis scenarios;
- ✓ **a Business Continuity Plan (BCP)** for operational management of crisis scenarios.

Ifitalia 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 that require immediate co-ordination to define continuity solutions;
- ➢ **Risk Monitoring Committee:** Supports the Business Continuity Manager in identifying, sharing and validating the information and initiatives designed to maintain 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 indispensable for the survival of the Business.

In order to guarantee the rapid implementation of the business continuity plans, Ifitalia has identified 55 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 23% of total resources.

In 2018, Business Continuity (BC) actions in Ifitalia were carried out in compliance with the main activities planned, which regarded:

- Review of the internal reference regulations for BC, consistent with the updates of the Parent Company's regulations (BCP and BCM update);
- Annual verification and update of the BIAs;
- Update of target sites for the critical team;
- Handling of "key" suppliers mapped for BC purposes;
- Acquisition of results of the related audit tests performed by critical suppliers;
- Update of the permanent controls plan consistent with the Group's Generic Control Plan
- Execution of the operating continuity simulation tests;
- Reporting – BC Monitor;
- Delivery of BC training.

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

As part of the more general process that began in 2015 of centralising the Compliance function of Companies in the operational perimeter of the BNL Banking Group, during the fourth quarter of 2016, Ifitalia assigned the formal responsibility of the Anti-Money Laundering Department to the Head of the Financial Security Department within the BNL Compliance Division, which took charge of the full perimeter related to Financial Security. Also In 2018, the organisational model envisaged the presence of a Single Point of Contact (SPOC) who is part of the same Division, dedicated to ensuring the proper and timely provision of the services defined in the outsourcing contract. Again with the aim of monitoring the correct provision of services, a member of the Board of Directors was appointed as Outsourced Service Representative (RPE).

Thus, the BNL Anti-Money Laundering Department operationally coordinated or implemented the entire scope of activities, which include:

- Due diligence and profiling of customers/intermediaries;
- Checking the proper AUI registrations and bookkeeping;
- Identification, analysis and reporting of potentially suspicious transactions;
- Management of advisory and authorisation activities related to international sanctions and embargoes, combating the financing of terrorism and the proliferation of weapons of mass destruction.

For all these areas, the BNL Anti-Money Laundering Department, in addition to directly managing certain operational processes (e.g., reporting of suspicious transactions to the Supervisory Authority) has:

- ensured specialised advisory services on financial security issues;
- provided the necessary contributions in the Committees tasked with validating the Company's new measures;
- monitored the evolution of national and EU legislation on financial security, assessing its impact on operating processes and developing appropriate updates to ensure its full compliance;
- drafted or updated the body of procedures of the Policies relating to the scope, consistent with the provisions of the Parent Company and in compliance with current legislation;
- implemented a second-level control plan aimed at monitoring the proper performance of all relevant operational processes;
- monitored any operational risk incidents as part of the Financial Security;
- completed the annual self-assessment of anti-money laundering risk, as well as the quarterly monitoring required by the Group model, analysing the results and defining the subsequent action plans for the areas for improvement that emerged;
- defined the specific training plan in the field of Financial Security and monitored the correct and complete use by impacted colleagues;
- monitored the proper registration of data into the Consolidated IT Archive (AUI) and ensured the timely delivery of information in SARA reports.

The scope of the Anti-Money Laundering Department has also formally included the monitoring of the risks of abuse of office and corruption, preparing a model that will be completed in the coming years.

In 2018, the Group's Factoring Chain launched a project to implement the new model for managing unexpected behaviour (AML Target Operating Model); currently the target platform, which may or may not coincide with the one selected by the Group (NetReveal), is being analysed.

In 2018, no inspections of the areas covered by Financial Security were carried out by BNPP Group bodies or external to the Group itself. However, it should be noted that in September of the same year the French Parent Company launched on various Group entities, including Ifitalia, an assessment of existing activities related to the Democratic People's Republic of Korea: the final report following this check has not yet been made available.

Finally, note that there were no operational incidents with anti-money laundering impacts.

Protecting Customers' interests

During 2018, with regard to transparency of banking and financial transactions, the internal framework was strengthened with the issue of Usury Policy no. 44 of 24 April 2018, which defines the general principles and lays down the lines that must guide the activities and behaviour of the Company towards its customers, in compliance with the requirements of usury regulations. The Transparency Policy was also updated and the controls on customer disclosure (PSF 005) and usury (PSF 002) were strengthened, following observations by the inspectors during the audit mission on the transparency and usury to which the Company was subject.

Also in 2018, the specialist function Protection of Customers' Interests provided consultancy services and carried out, with regard to each new process/product/activity/regulation submitted, an assessment of the continued suitability of the measures taken to mitigate the risk of non-compliance, prescribing that they be strengthened if necessary.

Following the Bank of Italy's focus on unilateral changes to contractual conditions (Communication no. 0412631/17) and the review on behaviour in this regard since the beginning of 2016 by the specialist function Protection of Customers' Interests, the register of unilateral changes was implemented and formalised in a special procedure (Com_08 Variazione Massiva condizioni economiche (Maximum change in economic conditions)).

With reference to the gap analysis launched in 2017 between the requirements of the Policy on the Protection of Customers' Interests and the local framework (rules of organisation and behaviour), the basic principles described by the new PIC Policy were substantially implemented by the operating procedures in force as well as by the processes implemented by the business. As a result of this assessment, in 2018 the expired procedures were updated (Com_02 – Trasparenza (Transparency); Gest_01 Gestione condizioni economiche (Management of economic conditions)) and a specific procedure that regulates a conformity check of the information documents to be submitted to customers, before they are published on the Company's institutional website, was formalised. Moreover, considering the current "passive dissemination" of the new regulations, it has been necessary to implement a governance on the activities underlying the Veglia Regolamentare (Regulatory Watch) instrument within the organisation in order to ensure the implementation phases. This aspect will be strengthened following the implementation of this process by BNL.

During the year, the Company was subject to a specific Compliance Risk Assessment drawn up by the Group. The assessment results showed, in relation to Inherent Risk and the Control Environment, a "low" Residual Risk for issues related to the Protection of Customers' Interests (Organisation; Adequacy/Appropriateness; Customer disclosure; Conflicts of interest; Complaint Management).

Market Integrity & Professional Ethics

With regard to issues of Market Integrity & Professional Ethics, note that during 2018, continuing the activities carried out in previous months, the Company's internal body of regulations was kept updated, to ensure that it is aligned with the Group's procedural structure. These activities concerned processes in the area of Professional Ethics, while those of Market Integrity did not require adaptations, given that the procedural and control system adopted to monitor emerging risks is simplified due to the limited exposure to these risks. With specific regard to issues of professional ethics, the following regulations were issued/updated:

- the "Whistleblowing Procedure" (update), which sets out the rules and methods of using the ethical alert device (or Whistleblowing), the various channels of which it is composed, as well as the protections that it guarantees to the whistleblower when certain conditions occur. This procedure is an integral part of the anti-corruption plan set out in the "Global Policy against Corruption" (CG0183) under Law no. 1691/2016 of 9 December 2016 on transparency, anti-corruption and modernisation of economic life (known as the "Sapin 2" Law).
- the "Code of Conduct" (update), which defines the rules that must guide all actions and decisions of collaborators, in line with the Group's Fundamental Values, according to BNP Paribas Way.

The Code is at the heart of every action and guides all decisions at various levels of the company's organisation. For this reason, all Group policies and internal regulations must ensure consistency with the Group.
The Code of Conduct consists of three parts. The first section, Mission and Values, aims to guide and inspire all types of behaviour. The second section concerns the rules of conduct to be shared and implemented. The third section, called the Code of Conduct, provides useful guidance on the application of the rules of conduct. This regulation has been further supplemented with an Appendix "Anti-corruption Conduct of the BNP Paribas Group". This new element responds to the requirement imposed by the French legislator to adopt compliance programmes envisaging, inter alia, a code of conduct describing the types of behaviour that are not allowed. This appendix sets out the basic principles of the fight against corruption and the behaviour to be avoided in that related to corruption and influence peddling, and provides practical examples of this in various areas of application.

- The "General Policy on Professional Ethics - Procedure for the Control of Personal Transactions of Relevant Parties of the BNP Paribas Group" (implementation), which aims to define a system of rules, obligations and prohibitions that apply to personal transactions involving persons identified as Relevant Parties. The purpose of this device is to contain potential situations of conflict of interest and undue use of privileged and/or confidential information, in compliance with the external regulations in force and the principles of behaviour of the BNP Paribas Group.
- the "Reaction procedure" as part of the control of personal transactions carried out by Relevant Parties of the BNP Paribas Group" (implementation), which regulates the actions that must be undertaken to monitor the requirement to notify relating to Personal Transactions in financial instruments carried out by Parties classified as "Relevant".
- the "Policy on the inclusion of the status of "Relevant Party" of Employees in the InspiHRe/EdgaHR Group's central HR system" (implementation), which defines the scope of responsibility of the HR Division and the Compliance Division in feeding the central HR tool (InspiHRe/EdgaHR) with the status of "sensitive" of Parties classified as "Relevant". The Policy also defines the entire process of managing this information - from the initial recording of data (creation of positions) to its maintenance and updating - which requires close and constant cooperation between the HR Division and the Compliance Division.
- the "Policy on personal transactions in financial instruments of external agents classified as "Relevant Parties" (implementation), which defines a process for the management and control of personal transactions of collaborators/agents of external Service providers, classified as Relevant Parties.
- the "Gifts and Invitations Policy" (update), which describes the conditions under which gifts and invitations, received or offered, can be accepted, authorised or refused. It also sets out the decision-making process to be followed in specific cases. The Policy also specifies the criteria to be considered in order to evaluate the "reasonableness" of the four macro-categories of invitations (informational, representational, fostering relationships, and entertainment).
- Policy on Conflicts of Interest for Collaborators (update), which defines suitable guidelines on conflicts of interest between collaborators and customers and/or between collaborators and the Company;

As regards Market Integrity & Professional Ethics, ongoing consultancy was guaranteed to support Ifitalia's Structures/Divisions.
During 2018, the Compliance Division guaranteed the usual second level oversight of "ethics" risks, as envisaged by the "Global Control Plan Professional Ethics" issued by the Company.
With reference, in particular, to ethical and deontological behaviour, the Division ensured the oversight of adopted systems and monitored compliance with policies.
Moreover, with reference to the ethical alert system, permanent monitoring of the overall regulatory plan adopted by the Parent Company was ensured and the system was strengthened by appointing a Whistleblowing Point of Contact to manage and monitor its correct operation, providing periodic reporting to the Parent Company.
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.
Following the launch of the Sapin II Law in France, which provides that businesses define an anti-corruption programme to identify and mitigate corruption risks, BNP Paribas Group renewed the risk assessment process in all entities in France to identify emerging risks in this area.
In fact, the Compliance Risk Assessment created by the BNP Paribas Group was carried out on the Company in order to identify the risks of non-compliance relating to Compliance issues, with a special reference to the mapping of the risk of corruption within the Company related to different areas (Gifts, Suppliers, Customers). The assessment results showed, in relation to Inherent Risk and the Control Environment, an "Average" Residual Risk for Professional Ethics areas. As

regards Market Integrity, the Group considered that the Compliance Risk Assessment was not applicable, having assessed the Company as not being exposed to the risks in this regard.
Finally, again in line with the anti-corruption programme mentioned above, the Board of Directors of Ifitalia ratified and implemented in the Company's internal regulatory framework the updating of the Group Code of Conduct with the anti-corruption Appendix, as described above, and the updating of the procedure that regulates the internal Ethical Alert system, a device that, among other things, allows employees to report incidents of corruption as well.

During 2018, no incidents occurred pertaining to issues of market integrity or professional ethics.

Finally, specific training activities on Professional Ethics topics were carried out in e-learning mode for “newcomers” and awareness/communication activities regarding Gifts and Invitations of Personal Transactions carried out by Relevant Parties were carried out for all Collaborators.
With regard to Market Integrity, a course to develop awareness on market abuse was provided through e-learning to exposed staff not yet trained

Advisory & Complementary topics

The FATCA and AEOI regulations do not apply in the Company either from a subjective perspective (Ifitalia is not considered as an entity classified as a “Non-Financial Foreign Entity") or from an objective perspective (the Company does not have any product classified as a “financial account”).
The QI and 871(m) regulations are not applicable as the Company is not a Financial Institution that has signed an IQ Agreement with the IRS (Internal Revenue Service).

As regards the Volcker Rule (VR) and the French Banking Law (FBL), these are marginally applicable from a mere subjective perspective, as Ifitalia is directly controlled by BNP Paribas Group.

For this reason, the control system has been integrated with the relevant impact analyses for each new investment/equity investment of the Company.

Specific training activities on VR have been provided in e-learning mode according to the target identified following the instructions of the Parent Company.

Finally, the CFTC US Swap Dealer regulation does not apply in that the Company does not trade in OTC derivatives, which are produced within the scope of the aforementioned regulation.

Organisational measures

Introduction

During 2018, the activities planned as part of the Ifitalia 2020 Business Plan continued, with the cross-functional objective of improving the efficiency of the Company and its processes and greater commercial competitiveness. The efficiencies obtained through the individual projects will be reused in business development activities.

In particular, the following is a report on the two main projects within the Business Plan initiatives dedicated to digitisation, Mediana and Onboarding.

Mediana

Mediana is the home-factoring platform that Ifitalia provides to its customers, which, in its current form, mainly allows the presentation of invoices and uploading of new borrowers.

The Mediana project seeks to increase utilisation of the portal and to make the customer more independent in daily operations, as well as improve the efficiency of the use of the portal by both Customers and operators within the Company. As a result of more operational and reporting functionality available on the site and tools for directly interacting with Ifitalia, a reduction of around 50% of phone calls and emails for requests for assistance is expected.

The evolution of the site towards a customer-centric platform based on advanced solutions is also intended to improve the user experience, with positive impacts on retention and NPS.

On the basis of the backlog of the new functions of the portal, also defined with the important contribution of some customers who use the service, the first phase of development in Agile mode was therefore completed in 2018, which will lead to progressive releases of the new service to customers in 2019.

Onboarding

The onboarding process for new customers, which starts with the sales negotiation and ends with the first use of credit lines, represents a pillar of the factoring customer journey, as well as an important factor in commercial competitiveness.

Therefore, the project's objective is to make the onboarding phase easier and faster for the Customer and improve Ifitalia's time-to-market, speeding up the credit process, both for Transferors and Debtors, by increasing the evaluations supported by scoring and the consequent reduction of the average response time to the customer.

Greater integration will be achieved with the BNL Business Divisions and with the various HW/SW/reporting components with Bank IT systems.

Project activities include updating the PEF work-flow tool and improving the scoring tool used to assess debtors.

The continuous improvement of the process is monitored through periodic meetings with the structures involved in order to identify possible areas for improvement, facilitate communication between the offices, better define priorities and reduce the defects of the work.

Research & development activities

The following IT projects were implemented **in 2018**:

1. *Update of IT Governance procedures* (Armonia, Financial Mng) following the introduction of new Group policies and controls.
2. *Basel 2:* the controls from Data Quality and Data Integrity, the target architecture for the Dilution were implemented.
3. *Credit Risk Mitigation:* the procedures for the automatic management of risk management (CRM) in the reverse factoring area were implemented.
4. *Data logging on FIS:* logging procedures for obsolete data in the main tables of the company's core system were carried out.
5. *Mediana 2020:* the project for the creation of new functions of the web factoring portal based on the needs collected from customers was started. The project is part of the Ifitalia Business Plan.
6. *Global KyC (Know your Customer) policy Italia*: optimisation of the use of the KyC application was carried out, adapting it also to the new Group standards.
7. *GDPR*: application activities to adapt software to legal requirements were completed.
8. *Cobol 6*: as a result of COBOL version obsolescence (Common Business-Oriented Language - programming language), activities were completed for the technology porting to version 6 pertaining to all applications of BNPP Group that are processed on the Mainframe. The project is part of the Ifitalia Business Plan.
9. *Standardisation of debtor assessment*: implementation of the scoring system for approval, new requests for limits and renewals, both for automatic approvals as well as to support decisions with the aim of allowing a "rapid" evaluation of the loan requests was started. The project is part of the Ifitalia Business Plan.

10. *CyberSecurity*: in line with BNPP Group, once the assessment to measure the level of maturity on cyber and IT risk issues was completed, a long-term Strategic Plan that will result in an adequate level of maturity in all identified cyber area no later than 2020 was defined. The first 13 areas defined as critical by the BNPP Group were implemented.
11. *Conformity Milan Project*: the adaptation of the base software at the Milan server farm and the Rome recovery site (which the provider has declared "obsolete") to the latest version indicated in Group policies was completed; project is part of the larger "Conformity BNL/BP2I" project.
12. *Transfer of Ifitalia headquarters (from Via Pisani to C.so Italia Milan):* the technical activities for the preparation of the temporary headquarters of Ifitalia in C.so Italia Milano were implemented
13. *Transfer of the server room (from Via Pisani to P.zza Lina Bo Bardi Milan):* the technical activities for the preparation of the new server farm of Ifitalia at Palazzo Diamante - BNPP Group hosted in housing solution (electricity, UPS, general physical security services)
14. *Securitisations:* procedures for the credit securitisation process were implemented
15. *electronic invoicing among private individuals*
16. *By instalments:* activities were started for the porting of the "By instalments" sales information system, used by the Treccani customer, to the FIS information system (core) and implementation of automatic procedures for the management of the single instalment in the FIS.
17. *Supply Chain:* activities for the creation of a supply chain platform were started

Securitisation transactions

Starting in 2016, Ifitalia began a programme of securitisation operations through the collaboration and coordination of BNPP CIB of Milan. As at 31 December 2018, there were 5 securitisations in place.
These multi-year transactions (with a duration of 5 years with a renewable commitment each year) allow the company to hold long-term relationships with the customer while maintaining satisfactory margins and, at the same time, providing the customer a more stable and structured working capital loan.
The transactions, structured by BNPP CIB of Milan, are developed as described below.
Trade receivables, originated by primary customers of Ifitalia, are sold by Ifitalia without recourse, pursuant to the Italian Factoring Law (Law 52/91). At the time of purchase, 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). 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.
In both sales (Ifitalia 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 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 are subscribed by third parties, while Class A2 Notes 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 stipulating an insurance policy on debtor risk or by benefiting from existing policies on debtor risk on the securitised portfolio.
The transaction structured as above provides customers with a committed source of financing for working capital, while keeping its relationships with customers unchanged, and allows Ifitalia to construct a significant transaction with satisfactory 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 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 derecognised 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 derecognising the receivables, an item is recorded under payables in liabilities, limited to the portion not financed by Ifitalia.

Main aggregates for outstanding securitisation transactions as at 31 December 2018

As at 31 December 2018, Ifitalia had 5 securitisations in place, the main balance sheet aggregates of which are shown below:

(thousands of Euro)

Items	31/12/2018
Loans in portfolio (included in Balance Sheet asset item 40)	693,152
Other Debts item 10 (funding of the third-party operation)	-346,527
Other Debts	-559
Securitization portfolio share financed by Ifitalia equal to the value of securities subscribed by Ifitalia	**346,066**

Significant events after year end

In the last part of the year, the Board of Directors, by resolutions of 22 November 2018 and 20 December 2018, approved the re-internalisation of the Operations outsourced to Banca Nazionale del Lavoro S.p.A. that in turn replaced Business Partners Italia S.C.p.A. as part of a corporate transaction involving the BNP Paribas Group in Italy. Following this transaction, Ifitalia resolved, with effect from 1 January 2019, to acquire the Operations business segment from BNL S.p.A.

Business outlook

In 2018, average loans from active customers increased by 3.55% compared to the previous year, EUR 177.3 million more than in 2017. This growth was largely supported by reverse factoring operations, which alone recorded an increase of almost EUR 149 million, thanks both to new operations launched in 2018 and to the performance of some of the most important existing agreements.

The year 2018 was also marked by an increase in the number of active customers, thanks to intense commercial development activities carried out in partnership with the commercial network of BNL and the BNP Paribas Group, which enabled the company to enter into relations with more than 500 new companies.

The development of the customer base, through the acquisition of new relationships in all market segments, is one of the pillars of the company's growth plan. In fact, a more diversified mix of customers and a reduction in the concentration on the Large Customers segment are essential elements for giving greater stability and sustainability to the company's development.

For the SME segment, which was launched in 2017, standardised transactions related to with-recourse and without-recourse transactions were consolidated in 2018, favouring, in the latter case, intervention on public and private debtors with high creditworthiness.

It is also important to focus on solutions with a high level of customisation and structuring according to customer needs. In a highly competitive environment, being able to interpret customer requirements in the best possible way represents an instrument for customer loyalty and diversification with respect to the rest of the market. In this area, reverse factoring, financial support to exporting and multi-localised companies, also thanks to the network of European Factoring companies of the BNPP Group, and securitisation solutions can constitute an important added value.

In terms of business volumes, Ifitalia expects to increase its turnover by around 8.5% in 2019, while average commitments should increase by 5.5%. The average spread level is expected to be at 2018 levels, with a limited increase in the financial spread in the last part of the year.

The company adopted a system for recording the recommendation index by its customers (Net Promoter Score - NPS). In this regard, initiatives have been taken to progressively improve the indicator, by constantly listening to feedback from customers, which has led to action plans aimed at constantly improving the service. Ifitalia believes that the excellence of its relationships with its customers is the main element on which to base its evolutionary path.

With the aim of optimising the use of capital and directing the development of credit assets and, therefore, the quality of the company's assets with ever greater efficiency, the use of internal models is envisaged, also for the purposes of calculating the capital requirement for Credit Risk.

For what concerns operating costs, the company will continue to manage them carefully, in order to maintain the current level without, however, precluding investments associated with developing new relationships, organisational developments, and regulatory impacts.

In 2018, the risk cost was low, thanks in part to the reversal of impairment losses on some positions.

Commercial and credit development policies will continue to be directed towards the selectivity of credit and operational risks; the company also strengthened its insurance coverage for the risk of its domestic and foreign debtors portfolio, with a view to both risk mitigation and business development.

The trend in admissions to NPL in the first few months of 2019 continues to be limited, confirming the trend already recorded in 2018.

Dear Shareholders,

The financial statements that we submit for your attention closed with net profit of EUR 33,101,167.

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 33,101,167

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

Statutory reserve

Opening balance	**EUR 551,137,071**
2018 profit	EUR 33,101,167
Closing balance	**EUR 584,238,238**

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 valuable work carried out to achieve the Company's objectives, as well as, to the Parent Company BNP Paribas S.A. for the collaboration and assistance provided.

Milan, Italy, 28 March 2019

The Board of Directors

IFITALIA FINANCIAL STATEMENT

IFITALIA
GRUPPO BNP PARIBAS

Ifitalia Financial Statements as at 31 December 2018

Mandatory financial statements:

Notes to the accounts:

MANDATORY FINANCIAL STATEMENTS

Balance Sheet

(euro)

	ASSETS	31/12/2018	31/12/2017
10	Cash and cash equivalents	5,869	8,959
20	Financial assets at fair value through profit or loss:	5,180,892	
	a) financial assets held for trading	-	
	b) financial assets designated at fair value	-	
	c) other financial assets mandatorily measured at fair value	5,180,892	
	Financial assets held for trading (former item 20 IAS 39)		-
	Financial assets measured at fair value (former item 30 IAS 39)		-
30	Financial assets at fair value through other comprehensive income	-	
	Financial assets available for sale (former item 40 IAS 39)		5,920,783
40	Financial assets measured at amortised cost:	7,747,181,143	
	a) loans to banks	21,892,128	
	b) loans to financial company	62,912,285	
	c) loans to customers	7,662,376,730	
	Financial assets held to maturity (former item 50 IAS 39)		-
	Loans (former item 60 IAS 39)		7,381,202,928
50	Hedging derivatives	-	-
60	Change in fair value of portfolio hedged items (+/-)	-	-
70	Equity investments	-	-
80	Property, plant and equipment	20,784,817	20,700,004
90	Intangible assets	10,520,048	9,985,210
	of wich: goodwill	-	-
100	Tax assets	63,190,435	54,533,260
	a) current	*14,268,939*	*15,448,312*
	b) deferred	*48,921,496*	*39,084,948*
	of which under Law 214/2011		*34,477,613*
110	Non-current assets and disposal groups held for sale	-	-
120	Other assets	49,113,585	14,246,043
	Total assets	**7,895,976,789**	**7,486,597,187**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2018	31/12/2017
10	Financial liabilities measured at amortised cost:	6,969,462,465	
	a) Deposits	*6,969,462,465*	
	b) Debt securities issued	*-*	
	Deposits (former item 10 IAS 39)		6,579,062,668
	Debt securities issued (ex voce 20 IAS 39)		-
20	Financial liabilities held for trading	142,263	
	Financial liabilities held for trading (former item 30 IAS 39)		232,272
30	Financial liabilities designated at fair value	-	
	Financial liabilities measured at fair value (former item 40 IAS 39)		-
40	Hedging derivatives	-	-
50	Change in fair value of portfolio hedged items (+/-)	-	-
60	Tax liabilities	15,707,521	14,000,001
	a) current	*13,314,597*	*11,892,636*
	b) deferred	*2,392,924*	*2,107,365*
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	180,840,526	175,219,938
90	Post-employment benefits	4,072,739	4,740,439
100	Provisions for risks and charges:	14,703,045	13,576,779
	a) commitments and guarantees issued	*1,647,176*	
	a) post-retirement benefit and similar obligations	*-*	*-*
	b) other provisions for risks and charges	*13,055,869*	*13,576,779*
110	Equity	55,900,000	55,900,000
120	Treasury shares (-)		
130	Equity instruments		
140	Share premium	61,798,643	61,798,643
150	Reserves	555,288,570	539,689,750
160	Valuation reserves	4,959,850	8,176,590
170	Profit (loss) for the year	33,101,167	34,200,107
	Total Liabilities and Shareholders' equity	**7,895,976,789**	**7,486,597,187**

IFITALIA GRUPPO BNP PARIBAS

Income Statement

(euro)

	P&L	Year 2018	Year 2017
10	Interest and similar income	71,784,000	
	of which: interest income calculated using the effective interest rate method	68,933,505	
	Interest and similar income (former item 10 IAS39)		63,828,086
20	Interest and similar expense	(6,249,375)	
	Interest and similar expense (former item 20 IAS39)		4,242,102
30	**Net interest income**	**65,534,625**	**68,070,188**
40	Fee and commission income	53,707,487	57,535,494
50	Fee and commission expense	(13,545,038)	(13,320,195)
	Net fee and commission income	**40,162,449**	**44,215,299**
70	Dividends and similar income	58,949	27,330
80	Net result from trading	53,717	
	Net result from trading (former item 80 IAS39)		(229,842)
90	Net result from hedging	-	-
100	Profit (loss) from disposal or repurchase of:	-	
	a) financial assets measured at amortised cost	-	
	b) financial assets at fair value through other comprehensive income	-	
	c) financial liabilities	-	
	Profit (loss) from disposal or repurchase of: (former item 100 IAS 39)		-
	a) financial assets		-
	b) financial liabilities		-
110	Net result of other financial assets/liabilities at fair value through profit or loss:	(367,780)	
	a) financial assets and liabilities designated at fair value	-	
	b) other financial assets mandatorily measured at fair value	*(367,780)*	
	Net result of financial assets and liabilities at fair value (former item 110 IAS 39)		-
120	**Net banking income**	**105,441,960**	**112,082,975**
130	Net value adjustments/write-backs for credit risk relating to:	(9,881,958)	
	a) financial assets measured at amortised cost	(9,881,958)	
	b) financial assets at fair value through other comprehensive income		
	Net impariment losses on: (former item 130 IAS 39)		*(15,909,354)*
	a) financial assets		*(15,905,315)*
	b) other financial transactions		*(4,039)*
140	Gains/losses on contract modifications without eliminations	-	
150	**Net result of financial management**	**95,560,002**	
160	Administrative expenses:	(45,712,607)	(47,307,465)
	a) personnel expenses	*(19,420,281)*	*(21,543,558)*
	b) other administrative expenses	*(26,292,326)*	*(25,763,907)*
170	Net provisions for risks and charges	*(1,448,237)*	
	a) commitments and guarantees issued	*22,104*	
	b) other net provisions	*(1,470,341)*	
	Net provisions for risks and charges (former item 150 IAS 39)		*834,313*
180	Net v alue adjustments/write-backs on property, plant and equipment	(933,604)	(1,154,975)
190	Net value adjustments/write-backs on intangible assets	(2,555,867)	(2,185,406)
200	Other operating expenses/income	2,544,344	2,679,913
210	**Operating expenses**	**(48,105,971)**	**49,040,001**
220	Profit (Loss) from equity investments	-	-
230	Net result of valuation at fair value of property, plant and equipment and intangible assets		
240	Value adjustments to goodwill		
250	Gains (Losses) on sale of investments	-	-
260	**Operating profit (loss) before taxes**	**47,454,031**	**49,040,001**
270	Income taxes for the year	(14,352,864)	(14,839,894)
	Operating profit (loss) net of taxes	**33,101,167**	**34,200,107**
290	Profit (Loss) of discontinued operations, net of taxes		
300	**Profit (loss) for the year**	**33,101,167**	**34,200,107**

Statement of Comprehensive Income

(euro)

	Items	Year 2018	Year 2017
10	**Profit (loss) for the year**	33,101,167	34,200,107
	Other income components net of taxes without reversal to income statement connected with:		
20	Equity instruments measured at fair value through other comprenshive income		
30	Financial liabilities designated at fair value through profit or loss (change in the creditworthiness)		
40	Hedging of equity instruments measured at fair value through other comprehensive income		
50	Property, plant and equipment		-
60	Intangible assets		-
70	Defined benefit plans	104,794	(102,820)
80	Non-current assets held for sale		-
90	Share of reserves from valuation of investments carried at equity		-
	Other income components net of taxes with reversal to income statement connected with:		
100	Hedging of foreign investments		-
110	Exchange rate differences		-
120	Cash flow hedges		-
130	Hedging instruments [not-designated elements]		
140	Financial assets (other than equity instruments) at fair value through other comprehesive income		
	Available-for-sale financial assets (former item 100 IAS 39)		(419,718)
150	Non-current assets and disposal groups held for sale		-
160	Share of reserves from valuation of investments carried at equity		-
170	**Total other income components net of taxes**		
180	**Comprehensive income (Item 10+170)**	**33,205,961**	**33,677,569**

Statement of Changes in Equity as at 31 December 2018

	Balances as at 31.12.2017	Change in opening balances	Balances as at 01.01.2018	Allocation of profit from previous year		Changes for the year							Comprehensive income for the year 2018	Shareholders' Equity 31.12.2018
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Other changes			
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:	**539,689,750**	**- 18,601,286**	**521,088,464**	**34,200,107**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**555,288,570**
a) profit-related	528,116,965	-	528,116,965	34,200,107	-	-	-	-	-	-	-	-	562,317,072
b) other	11,572,785	- 18,601,286	- 7,028,501	-	-	-	-	-	-	-	-	-	(7,028,501)
Valuation reserves	**8,176,590**	**- 3,321,534**	**4,855,056**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**104,794**	**4,959,850**
Equity instruments													
Treasury shares													
Profit (loss) for the year	**34,200,107**	**-**	**34,200,107**	**(34,200,107)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,101,167**	**33,101,167**
Shareholders' Equity	**699,765,090**	**-**	**677,842,269**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,205,961**	**711,048,231**

Statement of Changes in Equity as at 31 December 2017

(Euro)

	Balances as at 31.12.2016	Change in opening balances	Balances as at 01.01.2017	Allocation of profit from previous year		Changes during the year						Comprehensive income as at 2017	Shareholders' Equity 31.12.2017
							Equity transactions						
				Reserves	Dividends and other uses	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
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:	**494,475,849**		**494,475,849**	**45,213,901**							**-**		**539,689,750**
a) profit-related	482,903,064		482,903,064	45,213,901									528,116,965
b) other	11,572,785		11,572,785								-		11,572,785
Valuation reserves	**8,699,128**		**8,699,128**									**(522,538)**	**8,176,590**
Equity instruments													
Treasury shares													
Profit (loss) for the year	**45,213,901**		**45,213,901**	**(45,213,901)**								**34,200,107**	**34,200,107**
Shareholders' Equity	**666,087,521**		**666,087,521**								**-**	**33,677,569**	**699,765,090**

Statement of Cash Flows

(euro)

A. OPERATING ACTIVITIES	31/12/2018	31/12/2017
1. Management	**55,061,695**	**58,171,615**
- profit (loss) for the year (+/-)	33,101,167	34,200,107
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	277,771	
gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value (+/-) (former IAS 39)		-
- gains/losses on hedging (+/-)	-	-
- net value adjustments/write-backs for credit risk (+/-)	3,231,326	
net value adjustments/write-backs for impairment (+/-) (former IAS 39)		9,230,671
- net value adjustments/write-backs on property, plant and equipmentand and intangible a:	3,489,471	3,340,381
- net allowances to provisions for risks and charges and other costs/revenues(+/-)	1,829,126	(353,009)
- taxes not settled (+/-)	13,132,834	11,753,465
- net value adjustments/write-backs on discontinued operations, net of taxes (+/-)		
net value adjustments/write-backs on discontinued operations, net of taxes (+/-) (former IAS 39)		-
- other adjustments (+/)	-	-
2. Cash flow generated/absorbed by financial assets	**(434,146,560)**	**173,966,311**
- financial assets held for trading	-	
- financial assets designated at fair value	-	
- other financial assets mandatorily measured at fair value	372,111	
- financial assets at fair value through other comprehensive income	-	
- financial assets measured at amortised cost	(401,804,725)	
- other assets	(32,713,946)	
financial assets held for trading (former IAS 39)		-
financial assets measured at fair value (former IAS 39)		-
financial assets available for sale (former IAS 39)		1,364,016
loans to banks (former IAS 39)		(29,716,759)
loans to financial istitutions (former IAS 39)		95,876,530
loans to customers (former IAS 39)		96,893,999
other assets (former IAS 39)		9,548,525
3. Cash flow generated/absorbed by financial liabilities	**383,190,898**	**(228,844,932)**
- financial liabilities measured at amortised cost	390,399,797	
- financial liabilities held for trading	-	
- financial liabilities designated at fair value	-	
- other liabilities	(7,208,899)	
deposits from banks (former IAS 39)		(410,228,674)
deposits from financial istitutions (former IAS 39)		-
deposits from customers (former IAS 39)		152,756,386
securities issued (former IAS 39)		-
financial liabilities held for trading (former IAS 39)		(126,292)
financial liabilities measured at fair value (former IAS 39)		-
other liabilities (ex IAS 39)		28,753,648
Cash flow generated/absorbed by operating activities	**4,106,032**	**3,292,994**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**176,598**	**(3)**
- sale of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of property, plant and equipment	863	(3)
- sale of intangible assets	175,735	-
- sale of subsidiaries and businesses	-	-
2. Cash flow absorbed by:	**(4,285,720)**	**(3,298,059)**
- purchase of equity investments	-	-
- purchase of property, plant and equipment	(1,019,280)	(182,868)
- purchase of intangible assets	(3,266,440)	(3,115,191)
- purchase of subsidiaries and businesses	-	-
Net cash flow generated/absorbed by investing activities	**(4,109,122)**	**(3,298,062)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other uses	-	-
Net cash flow generated/absorbed by funding activities	**-**	**-**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(3,090)**	**(5,068)**

Reconciliation

(euro)

Financial statement items	31/12/2018	31/12/2017
Cash and cash equivalents at the beginning of the year	8,959	14,027
Total net cash flow generated/absorbed during the year	(3,090)	(5,068)
Cash and cash equivalents: effect of changes in exchange rates	-	
Cash and cash equivalents at the end of the year	5,869	8,959

INTRODUCTION

The Notes to the accounts are divided 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 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 international accounting standards
Ifitalia S.p.A.'s financial statements as at 31 December 2018 comply with 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 revised with subsequent updates, 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 IAS/IFRS adopted by IASB or 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:
- ✓ Balance Sheet and Income Statement;
- ✓ Statement of Comprehensive Income;
- ✓ Statement of Changes in Equity;
- ✓ Statement of Cash Flows;
- ✓ 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 ease of access to financial resources. The Directors considered the going concern assumption appropriate 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. Specifically, 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.
The following two new accounting standards came into force on 1 January 2018:
- ✓ IFRS 9 – Financial Instruments, which replaces IAS 39 – Financial Instruments: Recognition and Measurement;
- ✓ IFRS 15 – Revenue from contracts with customers, which replaces IAS 18 Revenue.

In particular, for the presentation in the financial statements of the first-time adoption of IFRS 9, the Company makes use of the "transitional relief" and therefore the figures compared are those prepared in the previous year without taking into account the introduction of the new standards.
Therefore, for Balance Sheet and Income Statement items impacted by the above standard:
- ✓ in the financial statements, the results of the 2018 financial statements drawn up with the new standard will be shown on separate lines compared to those of the 2017 financial statements drawn up with the previous standard;
- ✓ in the notes to the accounts, for each item, first the Section envisaged by the latest update of the Circular "IFRS Financial Statements of Brokers other than Banking Intermediaries" of the Bank of Italy will be presented, filled in with the results of the 2018 financial statements (without direct comparison), followed by the corresponding Section envisaged by the previous version of the aforementioned Circular, drawn up with the results of the 2017 financial statements (without comparison) and published in last year's financial statements of Ifitalia.

Section 3 – Subsequent events after year end
When drawing up the financial statements, Ifitalia considered all the events that had economic pertinence for the year ended as at 31 December 2018, 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 – 2023 by the Shareholders' Meeting held on 24 November 2015 in accordance with Legislative Decree No. 39 of 27 January 2010.

Legislative changes
During 2018, new accounting standards, interpretations, or amendments came into force:
- ✓ IFRS 9 - Financial Instruments (EU Reg. 2016/2067);
- ✓ IFRS 15 - Revenue from Contracts with Customers (EU Reg. 2016/1905);
- ✓ IFRIC 22: Foreign Currency Transactions and Advance Consideration (EU Reg. 2018/519);
- ✓ Amendments to IAS 40: Transfers of Investment Property (EU Reg. 2018/400);
- ✓ Amendments to IFRS 2: Share-based Payment Transactions (EU Reg. 2018/289);
- ✓ Annual improvements to IFRS Standards 2014 - 2016 Cycle (EU Reg. 2018/182);
- ✓ Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (EU Reg. 2017/1988);
- ✓ Clarifications to IFRS 15: Revenue from Contracts with Customers (EU Reg. 2017/1987).

In 2018, the European Commission approved the following accounting standards that will come into force with the 2019 financial statements:
- ✓ Amendments to IFRS 9: Prepayment features with Negative Compensation (EU Reg. 2018/498).
- ✓ IFRS 16 - Leases (EU Reg. 2017/1986). The standard, subject to approval by the European Union on 31 October 2017, amends the current set of international accounting standards and interpretations on leases and, in particular, IAS 17.

Finally, in 2018, the IASB issued the following accounting standards and interpretations or amendments, which will become effective after the approval process is completed by the competent bodies of the European Union:
- ✓ IFRS 17 - Insurance Contracts (May 2017);
- ✓ IFRIC 23: Uncertainty over Income Tax Treatments (June 2017);
- ✓ Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (October 2017);
- ✓ Annual Improvements to IFRS Standards 2015 - 2017 Cycle (December 2017);
- ✓ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (February 2018);
- ✓ Amendments to references to the Conceptual Framework in IFRS standards (March 2018).

<u>IFRS 9</u>:

- ✓ introduces significant changes, with respect to IAS 39, to the rules for classifying and measuring receivables and debt securities, which will be based on the business model and the characteristics of the financial instrument's cash flows (SPPI criterion - Solely Payments of Principal and Interest);
- ✓ provides for the classification of capital instruments at fair value with the recognition of differences in the income statement or in "other income components";
- ✓ introduces a new accounting model of impairment based on:
  (i) an "expected losses" approach instead of the current "incurred losses", and
  (ii) on the concept of "lifetime" expected losses, which led to an increase in value adjustments to receivables;
- ✓ intervenes on "hedge accounting" by rewriting the rules for designating a hedge relationship and for verifying its effectiveness with the objective of ensuring a greater alignment between the accounting representation of the hedges and the underlying management rationale; and
- ✓ modifies the accounting for "own credit risk", i.e. changes in the fair value of liabilities designated as fair value options due to the fluctuations of the entity's own creditworthiness.

In order to adapt the processes to the new IFRS 9 standard by the scheduled deadline, the Company participated in a broad, three-year programme launched in February 2015 by BNPP for the entire Group.
Furthermore, the Company adopted the use of "transitional relief" provided for in the standard and therefore will not publish the comparative data in its 2018 financial statements.
Classification & Measurement: although the definitions introduced in the new IFRS 9 differ from those in the current IAS 39, there are no significant impacts from the introduction of the new accounting rules in terms of classification and measurement. Almost all financial assets were essentially classified in the new categories introduced by IFRS 9, without changing the measurement method.
One exception is the inclusion of capital instruments in the new portfolios, which has impacts on the Company's equity upon FTA (first-time adoption). In particular, capital instruments, currently recognised in the AFS portfolio (available for sale), were classified as FVTPL, or at fair value with a contra-entry in the income statement. Upon FTA, the corresponding AFS reserve, equal to EUR 3.32 million (inclusive of taxes, EUR 0.25 million), was therefore reclassified.
Impairment: the new rules for staging and calculating impairment led to an increase of EUR 32.74 million in write-downs upon FTA (before taxes, EUR 10.81 million), broken down as follows:

- Stage 1 increase in write-downs of EUR 4.63 million;
- Stage 2 increase in write-downs of EUR 1.42 million;
- Stage 3 increase in write-downs of EUR 26.69 million.

These write-downs were recorded as a contra-entry to the reduction in equity for EUR 21.93 million, net of the tax effect of EUR 10.81 million.
Following the entry into force of IFRS 9, Regulation (EU) no. 575/2013 introduced an amendment of prudential rules for calculating capital absorption on expected credit losses. In this regard, financial institutions may adopt a transitional regime, according to which they can include adjustments made following the adoption of the new standard's impairment model in CET1, with a phase-in mechanism over a period of 5 years beginning in 2018. Given the above impacts, the Company did not observe the provisions of the aforementioned regulation and, therefore, the effects of the write-downs performed upon FTA on capital and capital ratios are fully reported.

IFRS 15, which became effective as from 1 January 2018, envisages:

- ✓ two approaches for recognising revenues ("at point in time" or "over time");
- ✓ a new model of transaction analysis ("Five-Steps Model") focused on the transfer of control; and
- ✓ more disclosure required to be included in the notes to the accounts.

The standard does not apply to financial instruments subject to IFRS 9.

IFRS 16, applicable from 1 January 2019, subject to the approval of the European Union, amends the current set of international accounting standards and interpretations on leases and, in particular, IAS 17.
The standard introduces a new definition of leases and defines the distinction between the two types of leases (operating and financial) in reference to the accounting model that the lessor must apply.
In order to ensure compliance with this accounting standard, the Group has launched activities to analyse the effects of adopting the new standard and preparing necessary implementation solutions.
For the Company, a number of cases falling within the scope of the standard and having in any case Group companies as counterparties have been highlighted:

- hired car fleet;
- rental expenses.

To date, the analyses carried out have had little significant impact on the Company's financial statements.

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.

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 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 adopted for Ifitalia's 2018 financial statements are the same as those used for the 2017 financial statements, with the exception of those impacted by the introduction of IFRS 9 and IFRS 15 as from 1 January 2018. The items in the balance sheet that were modified following the introduction of the above standards are shown below. For the other items not affected, as mentioned above, the standards adopted are those used for the 2017 Financial Statements.

IAS 39 Eliminated or changed clusters of Balance sheet	IFRS 9 New clusters of Balance Sheet
✓ Financial assets held for trading ✓ Financial assets available for sale ✓ Financial assets held to maturity ✓ Loan ✓ Financial assets at fair value ✓ Hedging instruments ✓ Debts and debts securities ✓ Financial liabilities at fair value	✓ Financial assets at fair value through profit and loss ✓ Financial assets at fair value through other comprehensive income ✓ Financial assets measured at amortised cost ✓ Hedging instruments ✓ Financial liabilities measured at amortised cost ✓ Financial liabilities designated at fair value

As mentioned above, the Company makes use of the "transitional relief" and therefore the figures compared are those prepared in the previous year without taking into account the introduction of the new standards. Therefore, please find below:

a) the standards used for the preparation of the financial statements as at 31 December 2018;
b) the standards used for the preparation of the financial statements as at 31 December 2017 relating only to the items modified in 2018 following the introduction of IFRS 9.

STANDARDS USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Financial assets at fair value through profit or loss

This item includes all financial assets not classified in the portfolio of financial assets at fair value through other comprehensive income and in the portfolio of financial assets at amortised cost.
More specifically, this item includes:
a) financial assets held for trading (debt securities, equities, loans, UCI units and derivatives);
b) assets mandatorily at fair value (debt securities and loans) with the valuation results recognised in the income statement on the basis of the option granted to companies (fair value option) by IFRS 9;
c) other financial assets mandatorily at fair value (debt securities, equities, UCI units and loans), i.e. financial assets, other than those designated at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or that are not held for trading.
The initial recognition takes place on the trading date for all financial assets. The initial recognition value is the fair value. Subsequent to initial recognition, the portfolio is measured at fair value, with the exception of equity instruments not listed on an active market and whose fair value cannot be reliably determined.
If the fair value of a financial asset becomes negative, this asset is recorded as a financial trading liability.
Financial assets at fair value through profit or loss conventionally include the balance arising from the offsetting of derivative contracts allocated to the trading portfolio and hedging derivatives in accordance with IAS 32, paragraph 42, if the absolute value of the fair value of the derivatives allocated to the trading portfolio is greater than the absolute value of the fair value of the hedging derivatives and is positive. This offset is recognised if the Group:
(a) currently has an exercisable right to offset the recognised amounts; and
(b) intends to pay the net amounts or to realise the asset and settle the liability at the same time.
Accrued interest is recorded in item 10 Interest income or 20 Interest expense, with the exception of differentials on non-hedging derivatives, which are recorded in net trading profit (loss).
Realised gains and losses on sales or reimbursements and unrealised gains and losses deriving from fair value changes in the portfolio at issue are recorded in item “80. Net trading profit (loss)” with regard to financial assets held for trading and in item “110. Net result of other financial assets and liabilities at fair value through profit or loss” for assets at fair value and other financial assets mandatorily at fair value.
The determination of the fair value of trading assets is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
In relation to the provisions of the joint Bank of Italy/Consob/IVASS document of 8 March 2013 on the accounting treatment of "long-term structured repos", it should be noted that the Group does not carry out such transactions.

2. Financial assets at fair value through other comprehensive income

All financial assets that passed the SPPI test and may be sold for any reason, such as liquidity requirements or changes in interest rates, exchange rates or share prices, are classified as "Financial assets at fair value through other comprehensive income"; as well as equities that are held for strategic reasons or that are not contestable on the market.
Initial recognition takes place, for financial assets whose delivery is regulated on the basis of agreements envisaged by the reference market (known as regular way contracts), as of the settlement date, while the trading date is applied for the others.
The initial recognition value for all the assets is the fair value, inclusive of the transaction costs or income directly attributable to said instrument.
The Company measures these financial instruments at fair value, with the exception of investments in equity instruments not listed on active markets for which it is not possible to measure fair value reliably.
The determination of the fair value of securities measured at fair value through other comprehensive income is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
The expected loss recognised in the income statement under item "130. Net value adjustments due to credit risk of: b)

measured at fair value through other comprehensive income" is calculated on the non-equity instruments that have passed the SPPI test. Any value write-backs are recorded with a matching balance in the income statement.
The value of unlisted share investments is determined by applying recognised measurement techniques, including the method based on multiple market observations of similar companies. The value of listed share investments is determined based on the market price.
For investments in equity instruments, all positive and negative changes in fair value, even if the latter are significant or prolonged below cost, are recorded with a matching balance under equity.
Financial assets are cancelled when the asset is sold, transferring the essential nature of the related risks and benefits, or when the contractual rights on the financial flows deriving from said assets cease.
Following the derecognition of an investment in bonds, the related cumulative and unrealised change in value recognised in equity is transferred to item "100. Gain/loss on disposal or repurchase of: b) financial assets at fair value through other comprehensive income" in the income statement.
In the case of derecognition of an equity instrument, the related cumulative and unrealised change in value is reclassified to an available reserve within shareholders' equity.
Gains and losses on disposals are determined using the average cost method.

3. Financial assets at amortised cost
This item includes debt securities and loans allocated to the portfolio measured at amortised cost. Due from banks, including also due from central banks other than demand deposits included in "Cash and cash equivalents" and due from customers, including due from Post Offices and Cassa Depositi e Prestiti, as well as operating loans related to the provision of financial assets and services as defined by the consolidation act of banking and lending laws (TUB) and the Consolidated Finance Act (TUF) (e.g. servicing activities) are recognised.
Loans/receivables are recognised in the financial statements when the Company becomes a party to the contract and acquires unconditionally a right to payment of the agreed amounts and are initially recognised at their fair value, corresponding to the amount disbursed, including transaction costs and initial revenues directly attributable. Where the net amount disbursed does not refer to its fair value, due to the lower interest rate applied compared to that of the reference market or to that normally applied to loans with similar characteristics, the initial recognition is made for an amount equal to the discounting of future cash flows at an appropriate rate.
After initial recognition, financial assets classified in the loans portfolio are recognised at amortised cost, using the effective interest method. The effective interest method is used to calculate the amortised cost and interest income of the loan over its entire duration. The effective interest rate is the rate that discounts the flow of estimated future payments over the expected life of the loan so as to obtain the net book value at initial recognition. Interest on loans/receivables is classified under interest and similar income deriving from amounts due from banks and loans to customers, and is recorded on an accrual basis.
In particular, with regard to factoring transactions, the transferee company can recognise a financial asset in its financial statements 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 IFRS 9;
✓ 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 IFRS 9.

Ifitalia recorded in the financial statements, under item 40 of the balance sheet assets, “Loans and Receivables”, and in line with the aforementioned 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;
- ✓ 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 recorded the following amounts under guarantees and commitments, 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 acquiring the loans/receivables 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, the most common contractual clauses in Ifitalia transactions have been stated below, analysed with a view to application of the recognition/derecognition rules.
a) 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 clauses have not been considered as an impediment to recognition of the individual loans/receivables in the financial statements.
b) 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 materiality
thresholds. In such cases, the clause was considered an impediment to recognition of the individual loans/receivables in the financial statements.
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 a plurality of 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, the portion of commission relating to loans/receivables not expired to be credited as a matching balance to the item "other liabilities" was rediscounted.
Guarantee commission (costs/revenues directly attributable to the transaction)
This commission takes 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 IFRS 9, spreading the revenue equally 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 his/her credit obligations (in terms of principal and/or interest). 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).
✓ Impaired past due positions: cash credit exposures other than those classified as non-performing or unlikely to pay, which are past due as at the reporting reference date.
a) Past due positions with respect to individuals: exposures other than those classified as non-performing or unlikely to pay, which are past due by more than 90 days as at the reporting reference date. 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.
b) Past due positions with respect to Public Administration parties: 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 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.
The classification of exposures subject to concession (forborne exposures) include exposures that have been subject to concession vis-à-vis a debtor who is dealing with difficulties or is close to dealing with difficulties in terms of meeting its financial commitments. These exposures can be classified either as impaired assets ("non-performing exposures") or as performing loans ("performing exposures"). As regards the measurement and provisions for exposures subject to concessions, accounting policies follow the general criterion, in line with the provisions of IFRS 9.

Staging rules

Performing positions

The Stage classification for performing facilities is based on the outcome of the assessment of "significant increase in credit risk" (or "significant impairment").
The "significant increase in credit risk" is assessed at the individual facility level by comparing the rating determined at the reporting date with the rating in effect at the origination date (recognition date).
The rating, monitored and updated periodically according to Ifitalia's policies, represents the main parameter for expressing creditworthiness.
For the assessment of "significant impairment", Ifitalia uses the absolute and relative criteria defined at Group level.
✓ Absolute criteria:
The absolute criteria (or backstop) used to classify performing facilities in Stages 1 and 2 are based on the information available at the reporting date (e.g., rating, days past due). The thresholds used reflect absolute levels of high or low credit quality in order to classify:

• in Stage 1, all facilities that have a low credit risk;
• in Stage 2, all facilities that have a high underlying risk.
The absolute criteria (or backstop) defined are based on the assessment of the rating at the reporting date.
Furthermore, as required by the accounting standard and Group policy, Ifitalia adopts the "Rebuttable Presumption", according to which all facilities with contractual payments past due for more than 30 days are classified in Stage 2.
✓ Relative criteria:
For all performing facilities, which do not fall within the scope of the absolute criteria, relative criteria are applied, expressed in terms of the difference between ratings (known as the "delta notch").
Non-Performing Perimeter
All facilities that at the reporting date have a rating of 11 12 are classified in Stage 3.

Impairment rules

Following the classification in Stages, Ifitalia calculates the provisions, at the individual facility level, consistent with regulatory principles and Group guidelines.
The provision amount corresponds to the expected loss differentiated by Stage in order to take into account the different levels of risks:
✓ For facilities classified in Stage 1, an expected loss in relation to the maturity is calculated with a maximum value of one year;
✓ For facilities classified in Stage 2, a lifetime expected loss (EL Lifetime) is calculated, that is, until the facility's maturity date;
✓ For facilities classified in Stage 3, specific provisions are calculated, corresponding to an expected lifetime loss.
Performing positions
The impairment calculation is based on risk parameters (PD, LGD and EAD) consistent with the duration of the transaction.
The expected loss in Stage 1 represents the expected loss deriving from the possible occurrence of a facility entering default within one year of the reporting date.
The expected loss in Stage 2 is the present value of expected losses due to a facility entering default in the period between the reporting date and the facility's maturity.
To calculate the expected lifetime loss, cumulative PDs are therefore used.
For the portion of the portfolio for which the rating models are not available at the BNP Group level, Ifitalia, in line with Group guidelines, calculates the expected loss, at one year or over the lifetime, using a simplified method based on historical loss data (EL ratio).
In accordance with IFRS 9, the PD, LGD and EAD parameters used to calculate impairment are consistent with regulatory values (those used to calculate the IRBA capital requirements), in particular for the LGD parameter, the value is net of conservative margins, regulatory penalties, and downturn margins.
In addition, IFRS 9 provides for the adoption of a forward-looking, multi-scenario approach to risk parameters in order to incorporate current conditions as well as expectations for possible future events and conditions in the impairment calculation.
Non-Performing Perimeter
For facilities classified in Stage 3, Ifitalia calculates the expected lifetime loss through a forward-looking approach that incorporates future expectations of possible collections and losses, including possible sales scenarios.
For non-performing exposures, Ifitalia has adopted a unique, precise analytical valuation model for individual positions; thus, for these positions Ifitalia adopts a "Judgemental Approach";
The Judgemental Approach incorporates both the collection strategy and the expected value deriving from a possible sale of the portfolio.
The determination of the recoverable value of receivables takes into account the time value of money and any guarantees supporting the positions; 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. For an estimate of the amount and the recovery timescale of the aforementioned problem loans/receivables, reference is made to specific calculations and, in the absence thereof, to estimated and forfeit values. These estimates are made taking into account both the specific solvency situation of debtors with payment difficulties and any difficulties in servicing debt by individual segments.
The write-down of problem loans/receivables is subsequently written back 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.
Recoveries of part or entire loans/receivables previously written down are booked to reduce the value of item "130. Net value adjustments/write-backs due to credit risk of: a) financial assets at amortised cost".
A derecognition occurs when there is no longer a reasonable likelihood of recovery. The amount of the losses is recorded in the income statement net of the write-down allowances previously provided.

4. Tangible assets

Tangible assets are initially stated at cost, inclusive of all the charges directly associated with bringing the asset onto stream.
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.
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 that 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, but only if the entire building is owned (detached property). 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/write-backs 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 that would have been determined if no impairment loss on the asset had been recorded in previous years.

Depreciation is recorded in the income statement in item 120. "Net value adjustments/write-backs 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/expenses", 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

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 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.
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 that 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/write-backs 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 that would have been determined if no loss had been recorded for the impairment of the asset in previous years.
Amortisation is recorded in the income statement in item 130. “Net value adjustments/write-backs 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 “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:
✓ 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.
✓ 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. Financial liabilities at amortised cost

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.
Financial liabilities at amortised cost (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.
After initial recognition, subsequent measurement follows the amortised cost approach, using the effective interest rate method.
The related interest is recorded in the income statement under item 20. “Interest and similar expense”.
Payables are cancelled from the financial statements when the related contractual obligations expire or are discharged.

8. Employee termination benefits
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.
In particular, following Italian Law no. 296/2006 (2007 Budget Act), 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 may be different for every employee, valued by an independent actuary without applying the “pro-rata” of the service supplied. As a result, costs relating to work performed after said date are not considered for valuation purposes.
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:
✓ the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
✓ 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

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.

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.

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".

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.

<u>STANDARDS USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 RELATING ONLY TO THE ITEMS MODIFIED IN 2018 FOLLOWING THE INTRODUCTION OF IFRS 9 AND IFRS 15.</u>

1. Financial assets and liabilities held for trading

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.

"Financial assets held for trading" (item 20 – Balance sheet - Assets) and "Financial trading liabilities" (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 has recorded Interest Rate Swap derivatives under financial trading liabilities, not initially declared in the hedging category, despite being, operationally, transactions established with the aim of hedging the fixed rate risk applied to customers.

Subsequent to initial recognition, 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).
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.
Accrued interest is recorded in item 10 “Interest and similar income” or 20 “Interest and similar expense 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 takes place, for financial assets whose delivery is regulated on the basis of agreements envisaged by the reference market (known as 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.
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 that 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.
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 on shareholders’ equity figures, limited to the measurement of the unlisted equity investments.
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.
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.
Unrealised profits and losses deriving from the fair value measurement, 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 write-backs 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 write-backs on investments in debt instruments are classified in the income statement.

3. Receivables
Within the sphere of the more extensive category of financial instruments, loans/receivables comprise non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. Loans/receivables are initially stated at fair value.
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 its ownership 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 recorded in the financial statements, under item 60 of the balance sheet assets, "Loans and Receivables", and in line with the aforementioned 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) that 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;
✓ 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 acquiring the loans/receivables 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.

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 clauses have not been considered as an impediment to recognition 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 materiality thresholds In such cases, the clause was considered an impediment to recognition of the individual oans/receivables in the financial statements.

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 the form of a *fee for the provision of a plurality of 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, re-discounting 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 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 equally 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 his/her credit obligations (in terms of principal and/or interest). 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 that imply a situation of debtor default risk (for example, a crisis in the industrial sector in which the debtor operates).

✓ Impaired past due positions

Cash credit exposures other than those classified as non-performing or unlikely to pay, which are past due as at the reporting reference date.

a) *Past due positions with respect to individuals*: exposures other than those classified as non-performing or unlikely to pay, which are past due by more than 90 days as at the reporting reference date. 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.

b) *Past due positions with respect to Public Administration parties*: 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 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.

Exposures subject to concessions can be classified either as impaired assets ("non-performing exposures") or as performing loans ("performing exposures") and do not constitute a category. As regards the measurement and provisions for exposures subject to concessions, accounting policies follow the general criterion, in line with the provisions of IAS 39.

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

Based on the relationship status, 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 consistent with the provisions at BNP Group level with the methods below:

✓ Credit risk: the write-down is applied proportionally to the Expected Loss 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 write-down is applied to debtor cash risks proportionally to the average dilution risk recorded on the portfolio divided into the corporate/SME and Retail SME/Retail segments. The amount of the write-down 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 write-downs to be made to loans/receivables is based on discounting the expected cash flows 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 and unlikely to pay is carried out analytically, while for past due positions, an analytical assessment is carried out for larger positions and a generalised assessment is carried out for the rest.

The write-down 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 write-downs, the approach of the due dates envisaged for the recovery of the receivable due to the passage of time, gives rise to a “value write-back” 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 write-down or write-back, 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).

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

✓ the right to receive the cash flows is discharged;

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

The amount of the losses is recorded in the income statement net of the write-down allowances previously provided.

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

The company has not carried out any portfolio transfers during 2018.

A.4 – FAIR VALUE DISCLOSURE

Qualitative information

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 Company 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 Company 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 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 that cannot be observed on the markets used for the measurement of the equity instruments that 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 2018, the Company recorded both unlisted equity investments that are carried at cost, since these are capital instruments whose fair value cannot be measured reliably, as well as unlisted equity investments measured at fair value on equity figures under “Financial assets mandatorily at fair value”.
During 2018, 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 (e.g., 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 financial instruments measured at fair value and 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 that might become necessary during the year.
There were no transfers between the fair value levels during 2018.

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 based on 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."

IFITALIA
GRUPPO BNP PARIBAS

2018 FINANCIAL YEAR

Quantitative information

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 €)

	2018		
Financial assets/liabilities measured at fair value	L1	L2	L3
1. Financial assets at fair value through profit or loss	-	-	-
a) financial assets held for trading	-	-	-
b) financial assets designated at fair value	-	-	-
value	-	-	5,181
2. Financial assets at fair value through other comprehensive income	-	-	-
3. Hedging derivatives	-	-	-
4. Property, plant and equipment	-	-	-
5. Intangible assets	-	-	-
Total	**-**	**-**	**5,181**
1. Financial liabilities held for trading	-	142	-
2. Financial liabilities designated at fair value	-	-	-
3. Hedging derivatives	-	-	-
Total	**-**	**142**	**-**

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

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

(thousands of €)

	Financial assets at fair value through profit or loss				Financial assets at fair value through comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	-	-	-	-		-	-	-
2. Increases	**5,921**	-	-	**5,921**	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits charged to:	-	-	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-	-	-
- of which gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers to other levels	-	-	-	-	-	-	-	-
2.4. Other increases	5,921	-	-	5,921	-	-	-	-
3. Decreases	**740**	-	-	**740**	-	-	-	-
3.1 Sales	172	-	-	172	-	-	-	-
3.2 Reimbursements	200	-	-	200	-	-	-	-
3.3 Losses charged to:	368	-	-	368	-	-	-	-
3.3.1 Income statement	368	-	-	368	-	-	-	-
- of which losses	368	-	-	368	-	-	-	-
3.3.2 Shareholders' Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**5,181**	-	-	**5,181**	-	-	-	-

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)
There were no amounts in this section.

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	2018			
	VB	L1	L2	L3
1. Financial assets measured at amortised cost	7,747,495	-	-	7,747,495
2. Property, plant and equipment held for investment purposes	2,596	-	2,596	-
3. Non-current assets and disposal groups held for sale	-	-	-	-
Total	**7,750,091**	**-**	**2,596**	**7,747,495**
1. Financial liabilities measured at amortised cost	6,969,462	-	-	6,969,462
2. Liabilities associated with discontinued operations	-	-	-	-
Total	**6,969,462**	**-**	**-**	**6,969,462**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 DISCLOSURE ON "DAY ONE PROFIT/LOSS"
The company did not carry out any transactions that generated the "day one profit/loss".

2017 FINANCIAL YEAR

Quantitative information
Fair value hierarchy

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

	2017		
Assets/liabilities at fair value	L1	L2	L3
1. Financial assets held for trading	-	-	-
2. Financial assets at fair value	-	-	-
3. Available-for-sale financial assets	-	-	5,921
4. Hedging derivatives	-	-	-
5. Tangible assets	-	-	-
6. Intangible assets	-	-	-
Total	**-**	**-**	**5,921**
1. Financial liabilities held for trading	-	232	-
2. Financial liabilities at fair value	-	-	-
3. Hedging derivatives	-	-	-
Total	**-**	**232**	**-**

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

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**		-	**7,285**	-	-	-
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**	-	-	**1,364**	-	-	-
3.1	Sales		-	-	-	-	-
3.2	Reimbursements	-	-	563	-	-	-
3.3	Losses booked to:	-	-	801	-	-	-
3.3.1	Income statement	-	-	350	-	-	-
	- of which capital losses	-	-	350	-	-	-
3.3.2	Shareholders' Equity	X	X	451	-	-	-
3.4	Transfers to other levels	-	-	-	-	-	-
3.5	Other decreases	-	-	-	-	-	-
4.	**Closing balances**	-	-	**5,921**	-	-	-

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

There were no amounts in this table.

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

		2017			
	Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	VB	L1	L2	L3
1.	Held-to-maturity financial assets	-	-	-	-
2.	Receivables	7,381,203	-	-	7,381,203
3.	Investments	-	-	-	-
4.	Tangible assets held for investment	2,724	-	2,724	-
5.	Non current assets and groups of assets undergoing disposal	-	-	-	-
Total		**7,383,927**	**-**	**2,724**	**7,381,203**
1.	Payables	6,579,063	-	-	6,579,063
2.	Securities issued	-	-	-	-
3.	Liabilities associated with assets undergoing disposal	-	-	-	-
Total		**6,579,063**	**-**	**-**	**6,579,063**

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

Disclosure on “day one profit/loss”

The company did not carry out any transactions that generated the “day one profit/loss”.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents

(thousands of €)

	31/12/2018	31/12/2017
a) Cash	6	9
b) Demand deposits with Central Banks	-	-
Total	**6**	**9**

The item comprises cash and cash equivalents and revenue stamps at company headquarters.

Section 2 – Financial assets at fair value through profit or loss

2.1 Financial assets held for trading: breakdown by product
There were no amounts in this section.

2.2 Derivative financial instruments
There were no amounts in this section.

2.3 Financial assets held for trading: breakdown by debtor/issuer/counterparties
There were no amounts in this section.

2.4 Financial assets at fair value: breakdown by product
There were no amounts in this section.

2.5 Financial assets at fair value: breakdown by debtor/issuer
There were no amounts in this section.

2.6. Other financial assets mandatorily at fair value: breakdown by product

(thousands of €)

	Total 31/12/2018		
	L1	L2	L3
1. Debt securities	**-**	**-**	**-**
1.1 Structured securities	-	-	-
1.2 Others debt securities	-	-	-
2. Equity instruments	**-**	**-**	**5,181**
3. UCI units	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-
4.2 Other	-	-	-
Total	**-**	**-**	**5,181**

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

2.7 Other financial assets mandatorily at fair value: breakdown by debtor/issuer

(thousands of €)

	Total 31/12/2018
1. Equity instruments	**5,181**
of which: banks	-
of which: other financial companies	4,239
of which: non-financial companies	942
2. Debt securities	**-**
a) Public administration	-
b) Banks	-
c) Other financial companies	-
of which: insurance companies	-
d) Non-financial companies	-
3. UCI units	**-**
4. Loans	**-**
a) Public administration	-
b) Banks	-
c) Other financial companies	-
of which: insurance companies	-
d) Non-financial companies	-
e) Household	-
Total	**5,181**

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Financial assets held for trading (former Item 20 IAS 39)

There were no amounts in this section.

Financial assets at fair value (former Item 30 IAS 39)

There were no amounts in this section.

Section 3 – Financial assets at fair value through other comprehensive income

There were no amounts in this section.

Available-for-sale financial assets (former Item 40 IAS 39)

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

Items/Balances	31/12/2017		
	Level 1	Level 2	Level 3
1 Debt securities	-	-	-
Structured securities	-	-	-
Other debt securities	-	-	-
2 Equity investments and UCI units	-	-	5,921
3 Loans	-	-	-
Total	**-**	**-**	**5,921**

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	4,607
Business Partner Italia ScpA Via Vittorio Veneto 119 00187 Roma Share capital EUR 5.710.300	172,111	3.01%	172	172
Other holdings				1,142
Total				5,921

The amount of EUR 1,142 thousand, recorded in the item "other" refers to the investment holdings held by Ifitalia inherent to cinema productions. During the year, reimbursements of EUR 563 thousand and write-downs of EUR 350 thousand were recognised. It has not been possible to reliably establish the fair value of the investments since they are not traded on an active market.

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

(thousands of €)

Items/Balances	31/12/2017
Financial assets	
a) Governments and Central Banks	-
b) Other government agencies	-
c) Banks	-
d) Financial institutions	4,607
e) Other issuers	1,314
Total	**5,921**

Section 4 – Financial assets at amortised cost

4.1 Financial assets at amortised cost: breakdown by product of due from banks

(thousands of €)

Breakdown	Total 31/12/2018					
	Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or	L1	L2	L3
1. Deposits and current accounts	2					2
2. Loans	21,178	712	-	-	-	21,890
2.1 Repurchase agreements						
2.2 Financial leasing						
2.3 Factoring	21,178	712	-	-	-	21,890
- with recourse	281					281
- without recourse	20,897	712				21,609
2.4 Other loans						
3. Debt securities	-	-	-	-	-	-
- structured securities						
- other debt securities						
4. Other assets						
Total	**21,180**	**712**	**-**	**-**	**-**	**21,892**

4.2 Financial assets at amortised cost: breakdown by product of due from financial business

(thousands of €)

Breakdown	Total 31/12/2018					
	Book value			Fair Value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L 1	L 2	L 3
1. Loans	**62,912**	**-**	**-**	**-**	**-**	**62,912**
1.1 Repurchase agreement						
1.2 Financial Leasing						
1.3 Factoring	62,912	-	-	-	-	62,912
- with recourse	30,776					30,776
- without recourse	32,136					32,136
1.4 Other loans						
2. Debt securities	-	-	-	-	-	-
2.1 Structured securities						
2.2 other debt securities						
3. Other assets						
Total	**62,912**	**-**	**-**	**-**	**-**	**62,912**

4.3 Financial assets at amortised cost: breakdown by product of due from customers

(thousands of €)

Breakdown	Total 31/12/2018					
	Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. Loans	7,520,823	141,554	-	-	-	7,662,377
1.1 Financial leasing						
of which: without final purchase option						
1.2 Factoring	6,829,807	141,554	-	-	-	6,971,361
- with recourse	853,583	86,638				940,221
- without recourse	5,976,224	54,916				6,031,140
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	691,016					691,016
of which: from enforcement of guarantees and commitments						
2. Debt securities	-	-	-	-	-	-
2.1 structured securities						
2.2 other debt securities						
3. Other assets						
Total	**7,520,823**	**141,554**	**-**	**-**	**-**	**7,662,377**

The item "Financial assets at amortised cost" includes deferred income relating to the spreading of revenue, falling within the scope of IFRS 9, in line with the duration of the credit to which they refer.
Deferred income relating to guarantee commissions within the scope of IFRS 9 amounted to EUR 48,488 as at 31 December 2018, while the same item as at 31 December 2017 amounted to EUR 106,025.

4.4 Financial assets at amortised cost: breakdown by debtor/issuer of due from customers

(thousands of €)

Breakdown	Total 31/12/2018		
	First and second level	Third level	of which: impaired financial assets purchased or originated
1. Debt securities	-	-	-
a) Public Administration			
b) Other financial companies			
of which: insurance companies			
c) Non-financial companies			
2. Loans to:	7,520,823	141,554	-
a) Public Administration	1,504,982	39,183	
b) Other financial companies			
of which: insurance companies			
c) Non-financial companies	5,951,238	100,136	
d) Households	64,603	2,235	
3. Other assets			
Total	**7,520,823**	**141,554**	-

4.5 Financial assets at amortised cost: gross value and total value adjustments

(thousands of €)

	Gross value				Value adjustments			Overall partial write-off *
	First level	*of which: instruments with low credit risk*	Second stage	Third stage	First level	Second level	Third level	
Debt securities								
Loans	6,684,666		931,142	437,027	4,392	6,501	294,761	
Other assets								
Total 2018	**6,684,666**	**-**	**931,142**	**437,027**	**4,392**	**6,501**	**294,761**	-
of which: impaired financial assets purchased or originated	X	X			X			

4.6. Financial assets at amortised cost: guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2018					
	Due from banks		Due from financial companies		Due from customers	
	VE	VG	VE	VG	VE	VG
1. Performing assets guaranteed by:	4	4	28,851	25,171	1,908,896	1,341,527
- Leased assets						
- Factoring receivables	4	4	28,851	25,171	1,052,653	947,080
- Mortgages						
- Pledges						
- Unsecured guarantees					856,243	394,447
- Derivatives on receivables						
2. Impaired assets guaranteed by:	-	-	-	-	81,716	80,701
- Leased assets						
- Factoring receivables					80,815	80,251
- Mortgages						
- Pledges						
- Unsecured guarantees					901	450
- Derivatives on receivables						
Total	**4**	**4**	**28,851**	**25,171**	**1,990,612**	**1,422,228**

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Financial assets held to maturity (former Item 50 IAS 39)

There were no amounts in this section.

Loans and receivables (former Item 60 IAS 39)

(thousands of €)

Breakdown	Total 31/12/2017
Deposits and current accounts	1,309
Factoring receivables	6,698,784
- with recourse	1,245,626
- without recourse	5,453,158
Other loans	681,110
Other assets	-
Total	7,381,203
Total FV	**7,381,203**

"Due from banks"

(thousands of €)

Breakdown	Total 31/12/2017			
	Book Value	Fair Value		
		L 1	L 2	L 3
1. Deposits and current accounts	1,309	-	-	1,309
2. Loans	167,742	-	-	167,742
2.1 Repurchase agreements	-	-	-	-
2.2 Financial leasing	-	-	-	-
2.3 Factoring	167,742	-	-	167,742
- with recourse	142,505	-	-	142,505
- without recourse	25,237	-	-	25,237
2.4 Other loans	-	-	-	-
3. Debt securities	-	-	-	-
- structured securities	-	-	-	-
- other debt securities	-	-	-	-
4. Other assets	-	-	-	-
Total	**169,051**	**-**	**-**	**169,051**

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.

"Due from financial institutions"

(thousands of €)

Breakdown	Total 31/12/2017					
	Book Value			Fair Value		
	Performing	Impaired		L 1	L 2	L 3
		Purchased	Other			
1. Deposits and current accounts	50,829	-	628	-	-	51,457
2. Loans	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-
2.2 Financial leasing	50,829	-	628	-	-	51,457
2.3. Factoring	28,180	-	620	-	-	28,800
- with recourse	22,649	-	8	-	-	22,657
- without recourse	-	-	-	-	-	-
2.4 Other loans	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-
4. Other assets	-	-	-	-	-	-
Total	**50,829**	**-**	**628**	**-**	**-**	**51,457**

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

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"Due from customers"

(thousands of €)

Breakdown	Total 31/12/2017					
	Book Value			Fair Value		
	Performing	Impaired		L 1	L 2	L 3
		Purchased	Other			
1. Loans	6,912,048	-	248,647	-	-	7,160,695
1.1 Financial leasing	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-
1.2 Factoring	6,230,938	-	248,647	-	-	6,479,585
- with recourse	928,082	-	146,239	-	-	1,074,321
- without recourse	5,302,856	-	102,408	-	-	5,405,264
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	681,110	-	-	-	-	681,110
of which: from enforcement of guarantees and commitments	-	-	-	-	-	-
2. Debt securities	-	-	-	-	-	-
2.1 structured securities	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-
3. Other assets	-	-	-	-	-	-
Total	**6,912,048**	**-**	**248,647**	**-**	**-**	**7,160,695**

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

"Loans and receivables": guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2017					
	Due from banks		Due from financial institutions		Due from customers	
	VE	VG	VE	VG	VE	VG
1. Performing assets guaranteed by:						
- Leased assets						
- Factoring receivables	142,244	142,244	24,677	24,677	968,267	965,537
- Mortgages					2	2
- Pledges						
- Unsecured guarantees	51	51			685,618	478,045
- Derivatives on receivables						
2. Impaired assets guaranteed by:						
- Leased assets						
- Factoring receivables			612	612	143,550	143,549
- Mortgages						
- Pledges						
- Unsecured guarantees					3,533	3,263
- Derivatives on receivables						
Total	**142,295**	**142,295**	**25,289**	**25,289**	**1,800,970**	**1,590,396**

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

Section 5 – Hedging derivatives
There were no amounts in this section.

Section 6 – Change in value of financial assets recorded as part of a generic hedge
There were no amounts in this section.

Section 7 – Equity investments
There were no amounts in this section.

Section 8 – Tangible assets

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

(thousands of €)

Assets/Balances		Total 31/12/2018	Total 31/12/2017
1.	**Assets owned**	**18,188**	**17,976**
a)	land	13,186	13,186
b)	buildings	3,617	3,991
c)	furniture	36	88
d)	IT equipment	419	672
e)	other	930	39
2.	**Assets purchased under financial lease**	**-**	**-**
a)	land	-	-
b)	buildings	-	-
c)	furniture	-	-
d)	IT equipment	-	-
e)	other	-	-
	Total	**18,188**	**17,976**
of which: obtained through enforcement of guarantees received		-	-

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

(thousands of €)

Assets/Balances		Total 31/12/2018				Total 31/12/2017			
		Book Value	Fair Value			Book Value	Fair Value		
			L1	L2	L3		L1	L2	L3
1.	**Assets owned**	**2,597**	**-**	**2,597**	**-**	**2,724**	**-**	**2,724**	**-**
a)	land	1,030	-	1,030	-	1,030	-	1,030	-
b)	buildings	1,567	-	1,567	-	1,694	-	1,694	-
2.	**Assets purchased under financial lease**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	land	-	-	-	-	-	-	-	-
b)	buildings	-	-	-	-	-	-	-	-
	Total	**2,597**	**-**	**2,597**	**-**	**2,724**	**-**	**2,724**	**-**
of which: obtained through enforcement of guarantees received		-	-	-	-	-	-	-	-

“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.

8.3 Tangible assets for business use: breakdown of revalued assets

There were no amounts in this section.

8.4 Tangible assets held for investment: breakdown of assets measured at fair value

There were no amounts in this section.

8.5 Inventories of tangible assets regulated by IAS 2: breakdown

There were no amounts in this section.

8.6 Tangible assets for business use: changes during the year

(thousands of €)

		Land	Buildings	Furniture	IT equipment	Other	**Total**
A.	**Gross opening balance**	**13,186**	**12,459**	**1,787**	**7,226**	**40**	**34,698**
	A.1 Net reductions in total amounts	-	(8,468)	(1,699)	(6,555)	-	(16,722)
	A.2 **Net opening balances**	**13,186**	**3,991**	**88**	**672**	**40**	**17,976**
B.	**Increases**	-	-	26	1,278	890	2,193
	B.1 Purchases				129		**129**
	B.2 Capitalized improvement expenses						**-**
	B.3 Write-backs						**-**
	B.4 Positive fair value changes booked to:	-					**-**
	a) equity						**-**
	b) income statement						**-**
	B.5 Exchange gains						**-**
	B.6 Transfer from properties held for investment purposes			X	X	X	**-**
	B.7 Other changes			26	1,149	890	**2,064**
C.	**Decreases**	**-**	**374**	**78**	**1,530**	**-**	**1,981**
	C.1 Sales			26	1,149		**1,175**
	C.2 Depreciation		374	52	380		**806**
	C.3 Impairment charges booked to:	-	-	-	-	-	**-**
	a) equity						**-**
	b) income statement						**-**
	C.4 Negative fair value changes booked to:	-	-	-	-	-	**-**
	a) equity						**-**
	b) income statement						**-**
	C.5 Exchange losses						**-**
	C.6 Transfer to:	-	-	-	-	-	**-**
	a) property, plant and equipment held for investments purposes			X	X	X	**-**
	b) non-current assets and disposal groups held for sale						**-**
	C.7 Other decreases						**-**
D.	**Net closing balances**	**13,186**	**3,617**	**36**	**419**	**930**	**18,188**
	D.1 Net reductions in total amounts	-	(8,842)	(1,726)	(5,787)	-	**- 16,354**
	D.2 **Gross closing balance**	**13,186**	**12,459**	**1,762**	**6,206**	**930**	**34,543**
E.	Valuation at cost	**13,186**	**3,617**	**36**	**419**	**930**	**18,188**

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

8.7 Tangible assets held for investment: changes during the year

(thousands of €)

			Total	
			Land	Buildings
A.	**Opening balance**		**1,030**	**1,694**
B.	**Increases**		**-**	**-**
	B.1	Purchases		
	B.2	Capitalized improvement expenses		
	B.3	Net positive fair value changes		
	B.4	Value adjustments for impairment		
	B.5	Exchange losses		
	B.6	Transfers from properties for business use		
	B.7	Other changes		
C.	**Decreases**		**-**	**127**
	C.1	Sales		
	C.2	Depreciation		127
	C.3	Net negative fair value changes		
	C.4	Value adjustments for impairment		
	C.5	Exchange losses		
	C.6	Transfers from:		
		a) properties for business use		
		b) non-current assets and disposal groups held for sale		
	C.7	Other changes		
D	**Closing balance**		**1,030**	**1,567**
E.	Measurement at fair value		**1,030**	**1,567**

The tangible assets held for investment of the company are all measured at cost.
In the financial statements, the value of the land is separated from the company's property located in Milan (Via Vittor Pisani), based on the estimate of the company that 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.

8.8 Inventories of tangible assets regulated by IAS 2: changes during the year
There were no amounts in this section.

8.9 Commitments to purchase tangible assets
There were no amounts in this section.

Tangible assets: depreciation

Category	Depreciation percentage
Land	no depreciation
Buildings	from 1,25% to 10%
Furniture	12%
IT equipment	from 11,11% to 33,33%
Other	from 14,29% to 25%
Other : works of art	no depreciation

Section 9 – Intangible assets

9.1 Intangible assets: breakdown

(thousands of €)

Items/Amounts	Total 31/12/2018		Total 31/12/2017	
	Assets valued at cost	Assets valued at fair value	Assets valued at cost	Assets valued at fair value
1. Goodwill			-	-
2. Other intangible assets:				
2.1 owned	**10,520**	**-**	**9,985**	-
- generated internally	1,949		1,834	-
- other	8,571		8,151	-
2.2 acquired under financial lease			**-**	-
Total 2	**10,520**	-	**9,985**	-
3. Assets pertaining to financial lease:				
3.1 unopted assets			**-**	-
3.2 assets withdrawn following termination			**-**	-
3.3 other assets			-	-
Total 3	**-**	-	**-**	-
4. Assets granted under operating lease			**-**	-
Total (1+2+3+4)	**10,520**	**-**	**9,985**	**-**
Total	**10,520**	**-**	**9,985**	**-**

The IT costs attributable to internal software development projects amount to EUR 1,949 thousand.
The intangible fixed assets also include “software licenses” for EUR 458 thousand (EUR 428 thousand in 2017) and “software development” for EUR 8,113 thousand (EUR 9,557 thousand in 2017).

9.2 Intangible assets: changes during the year

(thousands of €)

	Total
A. Opening balances	**9,985**
B. Increases	**3,266**
B.1 Purchases	3,266
B.2 Write-backs	
B.3 Fair value positive changes	-
- equity	
- income statement	
B.4 Other changes	
C. Decreases	**2,732**
C.1 Sales	
C.2 Depreciation	**2,556**
C.3 Value adjustments	-
- equity	
- income statement	
C.4 Negative fair value changes	-
- equity	
- income statement	
C.5 Other decreases	176
D. Net closing balances	**10,520**

The purchases during the year, amounting to EUR 3,266 thousand, refer to capitalisations of IT costs, of which EUR 66 thousand (26 thousand in 2017) refer to capitalisations of internal effort to be amortised.

9.3 Intangible assets: other information

Value adjustments to intangible assets: amortisation

Category	depreciation percentage
Software	from 12,5% to 33,3%
Costs of conversion	12.5%
Cost of implementation	33.3%
Costs for regulatory constraints	directly charged to the income statement

Section 10 – Tax assets and tax liabilities

10.1 Tax assets: current and prepaid: breakdown

(thousands of €)

	31/12/2018				31/12/2017			
	IRES	IRAP	OTHER	TOTALE	IRES	IRAP	OTHER	TOTALE
Current tax assets:								
- Tax advances	9,386	2,653		12,039	10,145	3,076		13,221
- Amounts withheld	15			15	12	-	-	12
- Tax credits pending rebate by the tax authorities	2,215			2,215	2,215	-	-	2,215
	11,616	**2,653**	**-**	**14,269**	**12,372**	**3,076**	**-**	**15,448**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	39,166	5,006		44,172	31,100	3,378	-	34,478
- Provisions for risks and charges	4,331	73		4,404	4,401	61	-	4,462
- Other	345			345	145	-	-	145
	43,842	**5,079**	**-**	**48,921**	**35,646**	**3,439**	**-**	**39,085**
Total	**55,458**	**7,732**	**-**	**63,190**	**48,018**	**6,515**	**-**	**54,533**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of €)

	31/12/2018			31/12/2017		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Current tax liabilities:						
- Taxes for the year	10,626	2,689	13,315	9,393	2,500	11,893
	10,626	**2,689**	**13,315**	**9,393**	**2,500**	**11,893**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets	1,548	312	1,860	1,548	312	1,860
- Capital Gain on participations	49	198	247	49	198	247
- Others	286	-	286	-	-	-
	1,883	**510**	**2,393**	**1,597**	**510**	**2,107**
Total	**12,509**	**3,199**	**15,708**	**10,990**	**3,010**	**14,000**

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balance	**38,940**	**42,026**
2. Increases	**11,560**	**1,058**
2.1 Deferred tax assets recognized during the year	11,533	990
a) related to previous years		-
b) due to change in accounting policies	10,810	
c) write-backs		
d) other	723	990
2.2 New taxes or increases in tax rates		
2.3 Other increases	27	68
3. Decreases	**1,924**	**4,144**
3.1 Deferred tax assets eliminated during the year	1,924	4,144
a) reversals	1,924	4,144
b) written down as now considered irrecoverable		
c) change in accounting policies		
d) other		-
3.2 Reductions in tax rates		
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Law 214/2011		
b) other	-	-
4. Closing balance	**48,576**	**38,940**

Prepaid tax assets have been recorded in the financial statements based on the assumption that taxable income will be generated against which the deductible timing differences can be used.

The increase of EUR 11,560 thousand includes EUR 10,811 thousand for the application of the new IFRS 9 accounting standard and EUR 750 thousand for provisions for charges; the decrease of EUR 1,924 thousand is due for EUR 1,077 thousand to the reversal of 1/10 of the above-mentioned effect for the first-time adoption of IFRS 9, while EUR 847 thousand refers to the use of provisions for charges.

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balance	**34,478**	**37,648**
2. Increases		**-**
3. Decreases	**-**	**3,170**
3.1 Amounts reversed		3,170
3.2 Transformation into tax credits	-	-
a) from losses for the year		
b) from tax losses		
3.3 Other decreases	-	-
4. Closing balance	**34,478**	**34,478**

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balances	**1,860**	**1,861**
2. Increases	**533**	**-**
2.1 Deferred taxes recognized during the year	293	-
a) related to previous years		-
b) due to change in accounting policies	247	-
c) other	46	-
2.2 New taxes or increases in tax rates		-
2.3 Other increases	240	-
3. Decreases	**-**	**1**
3.1 Deferred tax liabilities eliminated during the year	-	-
a) reversals		-
b) due to change in accounting policies		-
c) other		-
3.2 Reductions in tax rates		-
3.3 Other decreases		1
4. Closing balance	**2,393**	**1,860**

10.5 Changes in prepaid taxes (matching balance under equity)

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balance	**145**	**106**
2. Increases	**240**	**39**
2.1 Deferred tax assets recognized during the year	-	39
a) related to previous years		-
b) due to changes in accounting policies		-
c) other		39
2.2 New taxes or increases in tax rates		-
2.3 Other increases	240	-
3. Decreases	40	-
3.1 Deferred tax assets eliminated during the year	40	-
a) reversals	40	-
b) written down as now considered irrecoverable		-
c) due to changes in accounting policies		-
d) other		-
3.2 Reductions in tax rates		-
3.3 Other decreases		-
4. Closing balance	**345**	**145**

10.6 Changes in deferred taxes (matching balance under equity)

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balance	**247**	**278**
2. Increases	**-**	
2.1 Deferred tax liabilities recognized during the year	-	
a) related 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	**247**	**31**
3.1 Deferred taxes cancelled during the year	247	31
a) reversals		
b) due to change in accounting policies	247	-
c) other		31
3.2 Reductions in tax rates		
3.3 Other decreases		-
4. Closing balance	**-**	**247**

Section 11 – Non-current assets and groups of assets undergoing disposal and associated liabilities

There were no amounts in this section.

Section 12 – Other assets

12.1 Other assets: breakdown

(thousand of €)

	31/12/2018	31/12/2017
Guarantee deposits	8	9
Amounts receivable for supply of services/advance payments	70	88
Items in transit	349	43
Securities credited to customers subject to collection services awaiting co	36,978	1,506
Other amounts receivable	11,709	12,600
Total	**49,114**	**14,246**

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LIABILITIES

Section 1 – Financial liabilities at amortised cost

1.1 Financial liabilities at amortised cost: breakdown by product of payables

(thousands of €)

Items	Total 31/12/2018		
	due to banks	due to financial	due to customers
1. Loans	5,905,597	347,376	-
1.1. Reverse repurchase agreements			
1.2 other	5,905,597	347,376	
2. Other payables	400,692		315,797
Total	**6,306,289**	**347,376**	**315,797**
Fair value - level 1			
Fair value - level 2			
Fair value - level 3	6,306,289	347,376	315,797
Total fair value	6,306,289	347,376	315,797

Payables due to banks are almost entirely represented by the exposure to the Parent Company BNP Paribas. Other payables to due to banks concern current account exposures to BNL and payables due to transferors for the portion of the fee not advanced relating to loans/receivables without recourse. Due to financial institutions include payables due to third parties for the portion of loan of securitisation transactions.

1.2 Financial liabilities at amortised cost: breakdown by product of securities issued
There were no amounts in this section.

1.3 Subordinated payables and securities
There were no amounts in this section.

1.4 Structured securities
There were no amounts in this section.

1.5 Finance lease payables
There were no amounts in this section.

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Payables (former Item 10 IAS 39)

(thousands of €)

Items	Total 31/12/2017		
	due to banks	due to financial	due to customers
1. Loans	5,530,969	257,072	-
1.1. Reverse repurchase agreements			
1.2 other	5,530,969	257,072	
2. Other payables	500,530		290,491
Total	**6,031,499**	**257,072**	**290,491**
Fair value - level 1			
Fair value - level 2			
Fair value - level 3	6,031,499	257,072	290,491
Total fair value	6,031,499	257,072	290,491

Subordinated payables
There were no amounts in this section.

Securities issued (former Item 20 IAS 39)
There were no amounts in this section.

Section 2 – Financial trading liabilities

2.1 Financial trading liabilities: breakdown by product

(thousands of €)

Liabilities	Total 31/12/2018				
	VN	Fair value			Fair value*
		L1	L2	L3	
A. Cash liabilities					
1. Deposits					
2. Debt securities	-	-	-	-	-
2.1 Bonds	-	-	-	-	-
2.1.1 Structured					X
2.1.2 Other bonds					X
2.2 Other securities	-	-	-	-	-
2.2.1 Structured					X
2.2.2 Other					X
Total A	-	-	-	-	-
B. Derivative instruments					
1. Financial derivatives	-	-	-	142	-
1.1 Trading	X			142	X
1.2 Fair value option	X			-	X
1.3 Other	X			-	X
2. Credit derivatives	-			-	-
2.1 Trading	X				X
2.2 Fair value option	X				X
2.3 Other	X				X
Total B	X			142	X
Total (A + B)	X			142	X

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

2.2 Breakdown of financial trading liabilities: subordinated liabilities
There were no amounts in this section.

2.3 Breakdown of financial trading liabilities: structured securities
There were no amounts in this section.

2.4 Breakdown of financial trading liabilities: derivative financial instruments

(thousands of €)

Underlying assets/Derivatives Type	Total 2018			
	Over the counter			Organised Markets
	Central counterparts	without central counterparts		
		with compensatory agreements	without compensatory agreements	
1. Debt securities and interest rates				
- Nominal value			1,893	
- Fair value			142	
2. Equity securities and financial indices				
- Nominal value				
- Fair value				
3. Currency and gold				
- Nominal value				
- Fair value				
4. Loans				
- Nominal value				
- Fair value				
5. Goods				
- Nominal value				
- Fair value				
6. Others				
- Nominal value				
- Fair value				
Total	-	-	142	-

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Financial trading liabilities (former Item 30 IAS 39)
Breakdown of item 30 “Financial trading liabilities”

Liabilities	**Total 31/12/2017**				
	Fair Value			FV	NV
	L1	L2	L3		
A. Cash liabilities	-	-	-	-	-
1. Payables					
3. Debt securities	-	-	-	-	-
- Bonds	-	-	-	-	-
- Structured					
- Other bonds					
- Other securities	-	-	-	-	-
- Structured					
- Other					
B. Derivatives	-	232	-	232	2,493
1. Financial derivatives	-	232	-	232	2,493
2. Loan derivatives					
Total	-	232	-	232	2,493

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

“Financial trading liabilities”: subordinated liabilities
There were no amounts in this section.

“Financial trading liabilities”: derivative financial instruments

(thousands of €)

Liabilities	Interest rates	Currencies	Investment securities	Other	Total 31/12/2017
1. Over the counter					
Financial derivatives					
- Fair value	232				232
- Notional value	2,493				2,493
Loan derivatives					
- Fair value					-
- Notional value					-
Total	232	-	-	-	232
2. Other					
Financial derivatives					
- Fair value					
- Notional value					
Loan derivatives					
- Fair value					
- Notional value					
Total	-	-	-	-	-
Total	**232**	**-**	**-**	**-**	**232**

Section 3 – Financial liabilities at fair value

3.1 Financial liabilities at fair value: breakdown by product
There were no amounts in this section.

3.2 Breakdown of “Financial liabilities at fair value”: subordinated liabilities
There were no amounts in this section.

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Financial liabilities at fair value (former Item 40 IAS 39)
There were no amounts in this section.

Section 4 – Hedging derivatives
There were no amounts in this section.

Section 5 – Change in value of financial liabilities recorded as part of a generic hedge
There were no amounts in this section.

Section 6 – Tax liabilities
See section 12 under assets

Section 7 – Liabilities associated with assets undergoing disposal
There were no amounts in this section.

Section 8 – Other liabilities

8.1 Breakdown of item 80 "Other liabilities"

(thousands of €)

Description	Total 31/12/2018	Total 31/12/2017
Collections being registered	110,628	108,723
Amounts due to employees	1,804	1,030
Amounts due to the tax authorities	662	617
Amounts due to social security and welfare institutions	1,120	1,038
Payables and invoices to be received from suppliers and professionals	21,463	21,137
Liabilities due to transferors	6,221	5,638
Other payables	3,998	6,174
Advances from customers	34,657	28,971
Residual holiday entitlement fund	297	361
Expected loss for without-recourse credit risk recorded among commitments	-	1,531
Total	**180,851**	**175,220**

Deferred income relates to the spreading of commission income on the basis of the duration of the receivables to which they refer.

Section 9 − Employee termination benefits

9.1 "Employee termination benefits": changes during the year

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
A. Opening balance	**4,740**	**4,912**
B. Increases	**44**	**185**
B.1 Provision for the year	36	43
B.2 Other changes	8	142
C. Decreases	**711**	**357**
C.1 Liquidations	566	343
C.2 Other changes	145	14
D. Closing balance	**4,073**	**4,740**

(*) The provision for employment termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,855,578 and represents the effective obligation towards employees. The allocation for the year is EUR 104,095.

9.2 Other information

9.2.1 Description of the provision and related risks

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 financial statements based on 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 Budget Act) essentially states that the portion of employee termination benefits:

- accrued through the beginning of 2007 will remain in-house and must be disbursed to employees in accordance with statutory regulations, creating a liability to be recorded in the financial statements;
- accrued from the beginning of 2007 must, according to the employee's choice: a) be transferred to supplementary welfare funds; or b) be transferred 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" of the service supplied. As a result, costs relating to future work provided are not considered for valuation purposes.
The current method for calculating employee termination benefits starts from the detailed situation, at the moment of entry, of each worker and envisages each year, for each individual worker up until his/her departure, the development of the provision due to:

1. the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
2. for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

9.2.2 Changes during the year of net defined benefit liabilities (assets) and reimbursement rights

The change in the provision for employee termination benefits is shown in Section 11 "Employee termination benefits - Item 110 - table 11.1 "Employee termination benefits: changes during the year". The allocation for the year represents the change due to the passage of time and is equivalent to EUR 36 thousand.
The social security cost related to employment benefits, as illustrated above, is not set aside, but recorded directly in the income statement following the supplementary welfare reform, which provides for the allocation of accrued employee termination benefits to supplementary funds or the INPS Treasury Fund (Legislative Decree no. 252/2005 and Law no. 296/2006). The allocation for the year is recorded in the income statement under personnel costs.

9.2.3 Information on the fair value of assets serving the plan

Employee termination benefits are fully paid by the Company and there are no assets serving the plan.

9.2.4 Description of the principal actuarial assumptions

The liability recognised in the balance sheet is equal to the present value of the defined benefit obligations accrued as at 31 December 2018 estimated by an independent actuary.The benefits owed by the Company were estimated based on developmental assumptions for the population of relevant personnel (forecast of length of employment with company, probability of early disbursements), in addition to the use of appropriate demographic and economic financial bases (mortality tables, monetary inflation). For 2018, the following parameters were used: discount rate of 1.2%; inflation rate of 1.8%; 2.2% salary increase; estimated employment duration of 11 years.

Section 10 – Provisions for risks and charges

10.1 Provisions for risks and charges: breakdown

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
1. Provisions for credit risk relating to commitments and guarantees issued	1,647	
2. Provisions on other commitments and other guarantees issued		-
3. Post retirement benefit obligations		-
4. Other provisions for risks and charges	13,056	13,577
4.1 legal and tax disputes	10,700	9,930
4.2 personnel expenses	2,356	3,647
4.3 other		
Total	**14,703**	**13,577**

10.2 Provisions for risks and charges: change during the year

(thousands of €)

		Provisions on other commitments and other guarantees issued	Post retirement benefit obligations	Other provisions for risks and charges	Total
A.	**Opening balance**	-	-	**13,577**	**13,577**
B.	**Increases**	-	-	**2,399**	**2,399**
B.1	Provision for the year			2,394	2,394
B.2	Changes due to the passing of time			5	5
B.3	Changes due to the changes in the discount rate				-
B.4	Other changes				-
C.	**Decreases**	-	-	**2,920**	**2,920**
C.1	Utilisations for the year			2,920	2,920
C.2	Changes due to the changes in the discount rate				-
C.3	Other changes				-
D.	**Closing balance**	-	-	**13,056**	**13,056**

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

(thousands of €)

	Provisions for credit risk relating to commitments and guarantees issued			
	First level	Second level	Third Level	Total
1. Commitments to disburse funds				-
2. Financial guarantees issued	232	132	1283	1,647
Total	232	132	1,283	1,647

10.4 Provisions on other commitments and other guarantees given

There were no amounts in this section.

10.5 Defined benefit in-house pension funds

There were no amounts in this section.

10.6 Provisions for risks and charges - other provisions

(thousands of €)

	31/12/2018	31/12/2017
Personnel provisions:		
- redundancy incentive	-	2,000
- other employee benefits	2,356	1,647
Total	**2,356**	**3,647**

Provisions for employee benefits, referred to as "other employee benefits", represent the provisions that the Company has recorded in the financial statements in relation to employee incentive plans.
These plans are related to the achievement of results both at company level and at the level of the individual employee, therefore the related provisions reflect the estimate that management has prepared on the basis of the company's strategic objectives for the year 2018.

Section 11 – Equity

Summary

(thousands of €)

SHAREHOLDERS' EQUITY		31/12/2018	31/12/2017
110.	Valuation reserves	4,960	8,177
140.	Reserves	555,288	539,689
	a) income reserves	562,317	528,117
	b) other reserves	(7,029)	11,572
150.	Share premium	61,799	61,799
160.	Share capital	55,900	55,900
180	*Profit (loss) for the year*	33,101	34,200
	Total shareholders' equity	***711,048***	***699,765***

11.1 Share Capital: breakdown

(thousands of €)

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

The share capital amounts to EUR 55,900 thousand and is made up of 55,900,000 shares with a par value of EUR 1 each. The ordinary shares totalling 55,900,000 have been fully subscribed and paid up.

11.2 Treasury shares: breakdown
There were no amounts in this section.

11.3 Equity instruments: breakdown
There were no amounts in this section.

11.4 Share Premium: breakdown

(thousands of €)

Type	Amount
Share premium	
Share premium from ordinary shares	61,799

The share premium has not changed with respect to 31 December 2017.

11.5 Other information

Breakdown and changes in Reserves

(thousands of €)

	Legal reserve	Statutory reserve	Other	Total
A. Opening balance	**11,180**	**516,937**	**11,573**	**539,690**
B. Increases	**-**	**34,200**	**3,322**	**37,522**
B.1 Allocations of profits		34,200		34,200
B.2 Other changes			3,322	3,322
C. Decreases	**-**	**-**	**21,924**	**21,924**
C.1 Utilisations	-	-	-	-
hedging of losses				-
distribution				-
transfer to capital				-
C.1 Other changes			21,924	21,924
D. Closing balance	**11,180**	**551,137**	**(7,029)**	**555,288**

Breakdown and changes in Valuation reserves

(thousands of €)

	Financial assets at fair value through other comprehensive income	Tangible assets	Intangible assets	Hedging of financial flows	Special revaluation laws	Financial liabilities at fair value with an impact on income statement (changes of creditworthiness)	Other	Total
A. Opening balances	-	-	-	-	5,870	-	(1,015)	4,855
B. Increases	3,322	-	-	-	-	-	105	3,427
B.1 Positive fair value changes								-
B.2 Other increases	3,322						105	3,427
C. Decreases	3,322	-	-	-	-	-	-	3,322
C.1 Negative fair value changes								-
C.1 Other decreases	3,322							3,322
D. Closing balances	-	-	-	-	5,870	-	(910)	4,960

The "Other" column refers to defined benefit plans.

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	Amount	Potential use		Amount available
Share capital	55,900	-		-
Capital reserve:				
Share premium reserve	61,799	A-B-C		61,799
Profit reserve:				
Legal reserve	11,180	B		-
Statutory reserve	551,137	A-B-C		551,137
Other reserve:				
Stock options/Dspp/Freeshares reserve	102	A-B-C		102
FTA Reserve and Goodwill	(8,160)	A-B-C		(8,160)
Merger surplus	1,029	A-B-C		1,029
Valuation reserve	4,960	-	(1)	-
Profit for the year	33,101	A-B-C		33,101
Total	**711,048**	**-**		**639,008**
Non-distributable share	**72,040**			
Residual distributable share	**639,008**			**639,008**

Key:
A: share capital increase
B: coverage of losses
C: per distribuzione ai soci
(1) As provided for by art. 6 of Legislative Decree no. 38 of 28 February 2005, the valuation reserves formed in accordance with IAS cannot 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

With regard to the provisions of Article 2427 no. 7-bis of the Italian Civil Code, 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.

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Other information

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

(thousand of €)

	Notional value on commitments and financial guarantees issued			Total 2018	Total 2017
	First stage	Second stage	Third stage		
1. Commitments to disburse funds	**242,231**	**-**	**25,000**	**267,231**	-
a) Public Administrations					
b) Banks					
c) Other financial institutions					
d) Non-financial institutions	242,231	-	25,000	267,231	
e) Families					
2. Financial guarantees issued	**145,526**	**11,384**	**385**	**157,295**	-
a) Public Administrations	17	1	-	18	
b) Banks	8,292	1	-	8,293	
c) Other financial institutions	4	2	-	6	
d) Non-financial institutions	132,371	10,543	338	143,252	
e) Families	4,842	837	47	5,726	

2. Other commitments and other guarantees given

There were no amounts in this section.

3. Financial assets subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

4. Financial liabilities subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

5. Securities lending

There were no amounts in this section.

6. Information on joint control assets

There were no amounts in this section.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest

1.1 Interest and similar income: breakdown

(thousands of €)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2018
1. Financial assets at fair value through profit or loss:	-	-	-	-
1.1 Financial assets held for trading				-
1.2 Financial assets designated at fair value				-
1.3 Other financial assets mandatorily measured at fair value				-
2. Financial assets at fair value through other comprehensive income:			X	-
3. Financial assets measured at amortised cost:	-	60,625	-	60,625
3.1 Loans to banks		322	X	322
3.2 Loans to financial companies		3,369	X	3,369
3.2 Loans to customers		56,934	X	56,934
4. Hedging derivatives	X	X		-
5. Other assets	X	X		-
6. Financial liabilities	X	X	X	11,159
Total	**X**	**60,625**	**-**	**71,784**
of which: interest income on impaired financial assets				

1.2 Interest and similar income: other information

The interest in item "3. Financial assets at amortised cost" essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.
Interest income also includes any interest contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue. As at 31 December 2018, this item amounted to EUR 11,159 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 3,709 thousand and refers to loans to customers.

1.2.2 Interest income on financial lease transactions

There were no amounts in this section.

1.3 Interest and similar expense: breakdown

(thousands of €)

Items/Technical forms	Deposits	Securities	Other transactions	**Total 31/12/2018**
1. Financial liabilities measured at amortised cost:	6,249	-	-	6,249
1.1 Deposits from banks	3,787	X	X	3,787
1.2 Deposits from financial companies	2,462	X	X	2,462
1.3 Deposits from customers		X	X	-
1.4 Securities issued	X		X	-
2. Financial liabilities held for trading				-
3. Financial liabilities designated at fair value				-
4. Other liabilities	X	X	-	-
5. Hedging derivatives	X	X	-	-
6. Financial assets	X	X	X	-
Total	**6,249**	**-**	**-**	**6,249**

1.4 Interest and similar expense: other information

Interest paid to banks consists of interest paid on funding received.

Interest paid to financial businesses is related to securitisation activities.

1.4.1 Interest expense on foreign currency liabilities

Interest expense on foreign currency liabilities amounted to EUR 2.9 million and refers mainly to foreign currency funding transactions.

1.4.2 Interest expense on financial lease transactions

There were no amounts in this section.

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Breakdown of "Interest and similar income" (former Item 10 IAS 39)

(thousands of €)

Items/Technical forms	**Debt securities**	**Loans**	**Other transactions**	**Total 31/12/2017**
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		159	388	547
5.2 Due from financial institutions		2,001		2,001
5.3 Due from customers		56,308	4,972	61,280
6. Other assets	X		-	-
7. Hedging derivatives	X	X		-
Total	**-**	**58,468**	**5,360**	**63,828**

As at 31 December 2017, 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 3,885 thousand.

Interest and similar income: other information

The interest in item “5. Loans and receivables” essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.

Breakdown of “Interest and similar expense” (former Item 20 IAS 39)

(thousands of €)

Items/Technical forms	Loans	Debt	Other	Total 31/12/2017
1. Due to banks	4,052	X		4,052
2. Due to financial institutions	190	X		190
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	**4,242**	**-**	**-**	**4,242**

As at 31 December 2017 this included interest expense with negative rates for EUR 7,756 thousand.

Section 2 – Commissions

2.1 Commission income: breakdown

(thousands of €)

Types of service/Amounts	**Total 31/12/2018**	**Total 31/12/2017**
a) financial lease transactions	-	-
b) factoring transactions	53,707	57,535
c) consumer credit	-	-
d) guarantees given	-	-
e) services:	-	-
- fund management for third parties	-	-
- exchange brokerage	-	-
- distribution of products	-	-
- other	-	-
f) collection and payment services	-	-
g) servicing in securitisation transactions	-	-
h) other commission	-	-
Total	53,707	57,535

The following table shows the opening of commission income by type:

(thousands of €)

Type	Total al 31/12/2018
Management commissions	22,296
Guarantee commissions	23,591
Other	7,805
Total	**53,692**

2.2 Commission expense: breakdown

(thousands of €)

Detail/Sectors	Total 31/12/2018	Total 31/12/2017
a) guarantees received	1,181	1,085
b) distribution of services to third parties	-	-
c) collection and payment services	795	1,419
d) other commissions of brokerage	11,569	10,816
Totale	**13,545**	**13,320**

Section 3 – Dividends and similar income

3.1 Dividends and similar income: breakdown

(thousands of €)

Items/Income	Total 31/12/2018	
	Dividends	Similar Income
A. Financial assets held for trading		
B. Other financial assets mandatorily measured at fair value	59	
C. Financial assets at fair value through other comprehensive income		
D. Equity investments		
Total	**59**	**-**

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Breakdown of "Dividends and similar income" (former Item 50 IAS 39)

(thousands of €)

Items/Income	Total 31/12/2017	
	Dividends	Income from UCI units
1. Financial assets held for trading	-	-
2. Available-for-sale financial assets	27	-
3. Financial assets at fair value	-	-
4. Investments		-
Total	**27**	**-**

Section 4 – Net trading profit (loss)

4.1 Net trading profit (loss): breakdown

(thousands of €)

Transactions/Income components	Capital gains (A)	Profit on trade (B)	Capital losses (C)	Loss on trade (D)	**Net result** [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					-
1.2 Equity instruments					-
1.3 UCI units					-
1.4 Loans					-
1.5 Other					-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities					-
2.2 Deposits					-
2.3 Other					-
3. Financial assets and liabilities: exchange difference	X	X	X	X	(36)
4. Derivative instruments	**90**	**-**	**-**	**-**	**90**
4.1 Financial derivatives	90				90
4.2 Credit derivatives					-
of which: natural hedging related to the fair value option	X	X	X	X	
Total	**90**	**-**	**-**	**-**	**54**

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

(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 rat	**-**	**-**	**(356)**	**-**	**(356)**
4. Financial derivatives	**126**	-			**126**
5. Derivatives on receivables	**-**	**-**			**-**
Total	**126**	**-**	**(356)**	**-**	**(230)**

Section 5 – Net result from hedging activities
There were no amounts in this section.

Section 6 – Gain (loss) on disposal or repurchase
There were no amounts in this section.

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Gain (Loss) on disposal or repurchase (former Item 90 IAS 39)
There were no amounts in this section.

Section 7 – Net result of other financial assets and liabilities at fair value through profit or loss

7.1 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities at fair value
There were no amounts in this section.

7.2 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(Thousands of €)

Transactions/Income components	Capital Gains (A)	Gains on disposal (B)	Capital Losses (C)	Losses on disposal (D)	**Net Result [(A+B) − (C+D)]**
1. Financial assets	**-**	**-**	**(368)**	**-**	**(368)**
1.1 Debt securities					**-**
1.2 Equity instruments			(368)		**(368)**
1.3 UCI units					**-**
1.4 Loans					**-**
2. Financial assets in currency: foreign exchange differences	X	X	X	X	
Total	-	-	(368)	-	(368)

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Net result of other assets and liabilities at fair value (former Item 80 IAS 39)

There were no amounts in this section.

Section 8 – Net value adjustments/write-backs due to credit risk

8.1 Net value adjustments/write-backs due to credit risk relating to financial assets at amortised cost: breakdown

(thousands of €)

Transactions/Income components	Value adjustments (1)			Writebacks (2)		Total
	First and second level	Third level		First and second level	Third level	31/12/2018
		Write-off	Other			
1. Loans to banks	- 12	-	-	-	-	- 12
impaired loans acquired or originated	-	-	-	-	-	-
- for leasing						-
- for factoring						-
- other loans						-
Other loans	**- 12**	**-**	**-**	**-**	**-**	**- 12**
- for leasing						-
- for factoring	- 12	-	-	-	-	**- 12**
- other loans	-	-	-	-	-	-
2. Loans to financial companies	- 13	-	-	-	1	- 12
impaired loans acquired or originated	-	-	-	-	-	-
- for leasing						-
- for factoring						-
- other loans						-
Other loans	**- 13**	**-**	**-**	**-**	**1**	**- 12**
- for leasing						-
- for factoring	- 13				1	**- 12**
- other loans	-	-	-	-	-	-
3. Loans to consumers	-	- 1,994	- 22,055	533	13,658	- 9,858
impaired loans acquired or originated	-	-	-	-	-	-
- for leasing						-
- for factoring						-
- for consumer credit						-
- other loans						-
Other loans	**-**	**- 1,994**	**- 22,055**	**533**	**13,658**	**- 9,858**
- for leasing						-
- for factoring		- 1,994	- 22,055	533	13,658	**- 9,858**
- for consumer credit						-
- loans on pledge						-
- other loans	-	-	-	-	-	-
Total	- 25	- 1,994	- 22,055	533	13,659	- 9,882

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8.2 Net value adjustments/write-backs due to credit risk relating to financial assets at fair value through other comprehensive income: breakdown

There were no amounts in this section.

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Net value adjustments for impairment (former Item 100 IAS)

"Net value adjustments/write-backs for impairment of loans/receivables"

(thousands of €)

Transactions/Income components	Value adjustments		Value writebacks		**Total 31/12/2017**
	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	(304)		1,069		765
- 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	(29,059)	(1,810)	14,199		(16,670)
- for consumer credit					
- loans on pledge					
- other amounts receivable					
C. Total	**(29,363)**	**(1,810)**	**15,268**		**(15,905)**

"Net value adjustments/write-backs for impairment of available-for-sale financial assets"

There were no amounts in this section.

"Net value adjustments/write-backs for impairment of financial assets held to maturity"

There were no amounts in this section.

"Net value adjustments/write-backs for impairment of other financial transactions"

(thousands of €)

Transactions/Income components	Value adjustments		Value writebacks		TOTALE
	Specific	Portfolio	Specific	Portfolio	31/12/2017
A. Guarantees given	(75)	(12)	83		**(4)**
B. Derivatives on receivables					
C. Commitments to grant funds					
D. Other transactions					
E. Total	**(75)**	**(12)**	**83**		**(4)**

Key
A= from interest
B= Other writebacks

Section 9 – Gains/losses from amendments to contracts without derecognition

9.1 Gains (losses) from amendments to contracts: breakdown

There were no amounts in this section.

Section 10 – Administrative expenses

10.1 Personnel expenses: breakdown

(thousands of €)

Type of expense/Amounts	**Total 31/12/2018**	**Total 31/12/2017**
1) **Employees**	16,642	18,786
a) salaries and wages	11,314	11,481
b) social security contributions	3,431	3,453
c) leaving indemnity	-	-
d) social security and welfare costs	-	-
e) provision for termination benefits	36	43
f) provisions for post-retirement benefits and similar obligations:	433	438
- defined contribution	433	438
- defined benefit	-	-
g) payments to external supplementary pension funds:	756	769
- defined contribution	756	769
- defined benefit	-	-
h) other expenses (net)	672	2,602
2) Other active employees	123	115
3) Directors and Statutory Auditors	143	147
4) Staff retirement	-	-
5) Recovery of expenses for employees seconded to other companies	(374)	(405)
6) Expense reimbursements for employees of third parties seconded to the company	2,886	2,901
Total	**19,420**	**21,544**

10.2 Average number of employees by category

	Total 31/12/2018	Total 31/12/2017
a) Employees	**215**	**217**
1) Managers	7	7
2) Middle managers	120	120
3) Remaining employees	88	90
b) Other personnel	**21**	**20**
Total	**236**	**237**

10.3 Other administrative expenses: breakdown

(thousands of €)

Type of expense/Balances	Total 31/12/2018	Total 31/12/2017
Indirect duties and taxes	1,255	1,251
Sundry services rendered by third parties	9,179	8,340
Sundry services rendered by third parties (IT)	8,829	7,970
Sundry services rendered by third parties (Internal Auditing)	350	370
Fees for professionals	3,483	4,736
Fees for consultancy	661	1,258
Fees for legal and notarial costs	2,115	2,623
Fees for debt collection	572	751
Compensation to independent Auditors	135	104
Costs relating to properties/furniture	566	325
Postal, printed matter, surveillance of premises and stock values	1,457	1,611
Management expenses GFCC	484	476
Advertising and entertainment	249	196
Searches and information	1,337	1,411
Other expenses	8,282	7,418
TOTAL	**26,292**	**25,764**

The compensation for services rendered by the audit company in 2018, net of VAT, is EUR 80,000 (EUR 80,000 in 2017)

Section 11 – Net provisions for risks and charges

11.1 Net provisions for credit risk relating to commitments to grant funds and financial guarantees given: breakdown

(thousands of €)

Operations/Income components	Value adjustments		Writebacks		Total
	Specific	Portfolio	Specific	Portfolio	31/12/2018
A. Guarantees issued	(77)	22	77		22
B. Derivatives on receivables					-
C. Commitments to grant loans					-
D. Other transactions					-
E. Total	**(77)**	**22**	**77**		**22**

11.2 Net provisions relating to other commitments and other guarantees given: breakdown

There were no amounts in this section.

11.3 Other net provisions for risks and charges: breakdown

(thousands of €)

Analysis	Total 31/12/2018	Total 31/12/2017
PROVISIONS	**(1,886)**	**(350)**
Legal disputes	**(1,886)**	**(350)**
Revocation actions	(1,036)	(12)
Pending disputes	(850)	(338)
Personnel charges	-	-
Other provisions	-	-
USES	**421**	**1,187**
Legal disputes	**421**	**1,187**
Revocation actions	122	683
Pending disputes	299	504
Personnel charges	-	-
Other uses	-	-
INTEREST FROM DISCOUNTING BACK	**(5)**	**(3)**
Legal disputes	**(5)**	**(3)**
Revocation actions	(1)	-
Pending disputes	(4)	(3)
Total	**(1,470)**	**834**

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Section 12 – Net value adjustments/write-backs on tangible assets

12.1 Net value adjustments/write-backs on tangible assets: breakdown

(thousands of €)

Assets/Income component	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A+B)-C**
A. Property, plant and equipment				
A.1 Owned	**933**	**-**	**-**	**933**
- for business use	806			806
- for investment	127			127
- Inventories	X			-
A.2 Acquired under financial lease	**-**	**-**	**-**	**-**
- for business use				-
- for investment				-
A.3 Granted under operating lease				-
Total	**933**	**-**	**-**	**933**

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

13.1 – Net value adjustments/write-backs on intangible assets: breakdown

(thousands of €)

Assets/Income components	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A)+(B)-(C)**
1. Intangible assets different from goodwill:	2,556	-	-	2,556
1.1 owned	2,556			2,556
1.2 acquired under financial lease				-
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**2,556**	**-**	**-**	**2,556**

Section 14 – Other operating income and expenses

14.1 Other operating expenses: breakdown

(thousands of €)

Analysys	**Total 31/12/2018**	**Total 31/12/2017**
Other charges		
Losses for sundry causes		(81)
Other charges	(550)	(867)
Total	**(550)**	**(948)**

14.2 Other operating income: breakdown

(thousands of €)

Analysys	Total 31/12/2018	Total 31/12/2017
Other income		
Rental income	401	481
Other income	2,694	3,147
Total	**3,095**	**3,628**

Section 15 – Profit (Loss) from equity investments
There were no amounts in this section.

Section 16 – Net result of fair value measurement of tangible and intangible assets
There were no amounts in this section.

Section 17 – Goodwill impairment
There were no amounts in this section.

Section 18 – Profit/loss on disposal of investments
There were no amounts in this section.

Section 19 – Income taxes for the year on current operations

19.1 Income taxes for the year on current operations: breakdown

(thousands of €)

		Total 31/12/2018	Total 31/12/2017
1.	Current taxes (-)	(13,315)	(11,754)
2.	Changes in current taxes of previous years (+/-)	34	-
3.	Reduction in current taxes for the year (+)	148	-
3.bis	Reduction in current taxes for the year for tax credits	-	-
	of which under Law no. 214/2011 (+)	-	-
4.	Change in deferred taxes (+/-)	(1,174)	(3,086)
5.	Change in deferred taxes (+/-)	(46)	-
	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(14,353)**	**(14,840)**

19.2 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	47,454	47,454
Permanent, undeductible differences	1,118	4,041
Permanent, untaxable differences	(6,111)	
Total taxable income	42,461	51,495
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(11,677)	(2,858)
Other differences	(17)	199
Effective tax liability as per financial statements	**(11,694)**	**(2,659)**

Section 20 – Profit (loss) from discontinued operations after taxes
There were no amounts in this section.

Section 21 – Income statement: other information

21.1 Detailed breakdown of interest income and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total 31/12/2018	Total 31/12/2017
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. **Financial leasing**	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. **Factoring**	536	2,871	57,218	(396)	1,175	52,928	114,332	***121,363***
- on current receivables	*536*	*2,801*	*56,831*	*(396)*	*1,175*	*52,462*	113,409	117,833
- on future receivables			*(41)*			*466*	425	282
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans		*70*	*428*				498	3,248
3. **Consumer credit**	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. **Loans on pledge**							-	-
5. **Guarantees and commitments**	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**536**	**2,871**	**57,218**	**(396)**	**1,175**	**52,928**	**114,332**	**121,363**

Total interest income recorded in item 10 of the income statement "Interest and similar income" amounted to EUR 71,784,000 and also includes interest expense contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue.

21.2 Other information
Nothing to report

PART D – OTHER INFORMATION

Section 1 – Specific references to transactions carried out

A. FINANCIAL LEASE
There were no amounts in this section.

B. FACTORING AND TRANSFER OF LOANS/RECEIVABLES

B.1 Gross and book values

B.1.1 Factoring transactions

(thousands of €)

Items/Amount	Total 31/12/2018			Total 31/12/2017		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets	**6,924,791**	**10,893**	**6,913,898**	**6,455,074**	**5,565**	**6,449,509**
- exposures to transferors (with recourse):	890,150	5,510	884,640	1,100,957	2,190	1,098,767
- factoring of future receivables	19,604	25	19,579	29,211	-	29,211
- other	870,546	5,485	865,061	1,071,746	2,190	1,069,556
- exposures to transferred debtors transferors (without recourse	6,034,641	5,383	6,029,258	5,354,117	3,375	5,350,742
2. Impaired assets	**437,028**	**294,763**	**142,265**	**519,462**	**270,187**	**249,275**
2.1 Non-performing	**304,501**	**243,253**	**61,248**	**290,976**	**205,339**	**85,637**
- exposures to transferors (with recourse)	188,990	141,741	47,249	180,121	113,373	66,748
- factoring of future receivables	10,408	6,507	3,901	10,369	6,246	4,123
- other	178,582	135,234	43,348	169,752	107,127	62,625
- exposures to transferred debtors (without recourse)	115,511	101,512	13,999	110,855	91,966	18,889
- purchases below nominal value			-	-	-	-
- other	115,511	101,512	13,999	110,855	91,966	18,889
2.2 Unlikely to pay	**104,270**	**49,129**	**55,141**	**150,902**	**62,494**	**88,408**
- exposures to transferors (with recourse)	64,612	30,065	34,547	89,200	36,012	53,188
- factoring of future receivables	-	-	-	139	139	-
- other	64,612	30,065	34,547	89,061	35,873	53,188
- exposures to transferred debtors (without recourse)	39,658	19,064	20,594	61,702	26,482	35,220
- purchases below nominal value			-	-	-	-
- other	39,658	19,064	20,594	61,702	26,482	35,220
2.3 Past due positions	**28,257**	**2,381**	**25,876**	**77,584**	**2,354**	**75,230**
- exposures to transferors (with recourse)	5,060	219	4,841	26,970	47	26,923
- factoring of future receivables	-	-	-	-	-	-
- other	5,060	219	4,841	26,970	47	26,923
- exposures to transferred debtors (without recourse)	23,197	2,162	21,035	50,614	2,307	48,307
- purchases below nominal value			-	-	-	-
- other	23,197	2,162	21,035	50,614	2,307	48,307
Total	**7,361,819**	**305,656**	**7,056,163**	**6,974,536**	**275,752**	**6,698,784**

B.1.2 Purchase transactions for impaired receivables other than factoring
There were no amounts in this section.

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	
	2018	2017	2018	2017
- on demand	189,587	299,823	2,515,157	2,689,006
- up to 3 months	398,552	482,226	4,686,481	4,403,482
- 3 to 6 months	89,315	108,066	1,172,590	1,028,458
- 6 months to 1 year	60,063	72,673	684,044	470,928
- beyond 1 year	233,761	282,838	260,155	441,294
- unspecified duration	-	-	-	-
Total	**971,278**	**1,245,626**	**9,318,427**	**9,033,168**

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Maturity	Exposures	
	2018	2017
- on demand	597,523	589,662
- up to 3 months	3,803,116	3,480,018
- 3 to 6 months	929,924	731,997
- 6 months to 1 year	429,433	254,831
- beyond 1 year	1,970	114,686
- unspecified duration	322,920	281,964
Total	6,084,886	5,453,158

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

There were no amounts in this section.

B.3 – Other information

B.3.1 – Turnover of factored loans/receivables

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
1. Without-recourse transactions	26,355,047	25,756,946
of which: purchases below the nominal value	-	-
2. With-recourse transactions	3,232,562	3,532,110
Total	**29,587,609**	**29,289,056**

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

B.3.2 – Collection services

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
Loans and receivables collected in the year	434,734	482,817
Amount of loans and receivables at year end	124,310	157,440

B.3.3 – Nominal value of factoring contracts for future loans/receivables

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
Flow of factoring contracts for future in the year	89,653	278,366
Amount of the contracts at year end	372,870	467,688

The unused margin intended as the difference between the maximum amount of loans/receivables that can be purchased and the amount of loans/receivables purchased, amounted to EUR 13,132 thousand as at 31 December 218.

C. CONSUMER CREDIT

There were no amounts in this section.

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 Value of guarantees (secured or unsecured) given and commitments

(thousands of €)

	Transactions	Total 31/12/2018	Total 31/12/2017
1)	Financial guarantees given upon first request	**157,295**	**142,408**
	a) Banks	8,293	10,057
	b) Financial Companies	6	6
	c) Costumers	148,996	132,345
2)	Other financial guarantees given	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
3)	Commercial guarantees issued	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
4)	Irrevocable commitments to remburse funds	**267,231**	**221,190**
	a) Banks	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	b) Financial Companies	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Costumers	267,231	221,190
	i) certain to be called on	-	-
	ii) uncertain to be called on	267,231	221,190
5)	Commitments underlying credit derivatives: protection sales	-	-
6)	Assets made to guarantee third party obligations	-	-
7)	Other irrevocable commitments	-	-
	a) to give guarantees	-	**-**
	b) others	-	**-**
	Total	**424,526**	**363,598**

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

(thousands of €)

Exposures	31/12/2018			31/12/2017		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
-financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**159,743**	**(113,251)**	**46,491**	**151,719**	**(109,094)**	**42,624**
- commercial	-	-	-	-	-	-
-financial	159,743	(113,251)	46,491	151,719	(109,094)	42,624
Total	**159,743**	**(113,251)**	**46,491**	**151,719**	**(109,094)**	**42,624**

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

(thousands of €)

Type of assumed risk	Not impaired guarantees issued				Impaired guarantees issued: non-performing				Other impaired guarantees			
	Counterguaranteed		Other		Counterguaranteed		Other		Counterguaranteed		Other	
	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions
Guarantees issued with assumption of risk of initial loss	-	-	-	-	-	-	-	-	-	-	-	-
- financial guarantees upon first request	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees issued with assumption of mezzanine type risk	-	-	-	-	-	-	-	-	-	-	-	-
- financial guarantees upon first request	-	-	-	-	-	-	-	-	-	-	-	-
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Pro rata guarantees issued	-	-	**156.910**	**(364)**	-	-	-	-	-	-	**385**	**(83)**
- financial guarantees upon first request	-	-	156.910	(364)	-	-	-	-	-	-	385	(83)
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**156.910**	**(364)**	**-**	**-**	**-**	**-**	**-**	**-**	**385**	**(83)**

D.4 Guarantees given (secured or unsecured): amount of counter-guarantees

There were no amounts in this section.

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D.5 Number of guarantees given (secured or unsecured): status of risk undertaken
There were no amounts in this section.

D.6 Guarantees given (secured or unsecured): with risk-taking on the first losses and mezzanine type: amount of underlying assets
There were no amounts in this section.

D.7 Guarantees given (secured or unsecured) in the process of being enforced: stock data
There were no amounts in this section.

D.8 Guarantees given (secured or unsecured) in the process of being enforced: flow data
There were no amounts in this section.

D.9 Changes in impaired guarantees given (secured or unsecured): non-performing
There were no amounts in this section.

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	-	473	-	-	-	-
(B) Increases:	-	413	-	-	-	-
- (b1) transfers from performing guarantees	-	166	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	247	-	-	-	-
(C) Decreases:	-	(501)	-	-	-	-
- (c1) outgoings to performing guarantees	-	-	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	-	-	-	-	-
- (c4) other decreases	-	(501)	-	-	-	-
(D) Gross final value	-	385	-	-	-	-

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	-	141,935	-	-	-	-
(B) Increases:	-	76,215	-	-	-	-
- (b1) Guarantees given	-	45,664	-	-	-	-
- (b2) other increases	-	30,551	-	-	-	-
(C) Decreases:	-	(61,240)	-	-	-	-
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	(166)	-	-	-	-
- (c3) other decreases	-	(61,074)	-	-	-	-
(D) Gross final value	-	156,910	-	-	-	-

D.12 Changes in value adjustments and total provisions
There were no amounts in this section.

D.13 Assets pledged as guarantee for own liabilities and commitments
There were no amounts in this section.

D.14 Commission income and expenses on guarantees given (secured or unsecured) during the year: total value
There were no amounts in this section.

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

(thousands of €)

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 institutions - Production companies	-	-	-	-	127,948
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	8,293
- Subgroup 3: SAE 492 - Other non financial istitutions	-	-	-	-	6,301
- Subgroup : Others	-	-	-	-	14,753
Total	**-**	**-**	**-**	**-**	**157,295**

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

(thousands of €)

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	-	-	-	-	55,783
- Region 2	Centre Italy	-	-	-	-	33,283
- Region 3	North-East Italy	-	-	-	-	45,961
- Region 4	South Italy and islands	-	-	-	-	20,459
- Region 5	Others	-	-	-	-	1,809
Total		**-**	**-**	**-**	**-**	**157,295**

D.17 Geographic distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (number of guaranteed entities)

There were no amounts in this section.

D.18 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (number of guaranteed entities)

There were no amounts in this section.

D.19 Stock and trend of the number of associates

There were no amounts in this section.

E. PAYMENT SERVICES AND ISSUING OF ELECTRONIC MONEY
There were no amounts in this section.

F. OPERATIONS WITH THIRD-PARTY FUNDS
There were no amounts in this section.

G. LOAN TRANSACTIONS SECURED BY PLEDGE
There were no amounts in this section.

H. COVERED BONDS
There were no amounts in this section.

I. OTHER ASSETS
There were no amounts in this section.

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
There were no amounts in this section.

B. Disclosure on the structured entities not consolidated in the accounts (other than vehicle companies for securitisations)
There were no amounts in this section.

C. Sale transactions
There were no amounts in this section.

Section 3 – Information on risks and 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, which can be classified, in brief, 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 risk assessment of 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 lending activities carried out by banks, indispensable for permitting an adequate control of the credit risk which partly expresses itself in aspects[1] not present in banking activities.
With regard to the provision of the above services, the factor may undertake the credit risks in different ways, which can be, in turn, broken down into certain elementary types:

- credit risk in the strictest sense, represented by the risk of loss due to default of the debtors[2];

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[1] Measurement of the asset risk: a wider concept of the measurement of creditworthiness 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 tendency 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, falls 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 large number of 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, adequate 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 that 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 (e.g., 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 for which the client undertakes the dual 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 correlation between the risks deriving from the characteristics of the various transactions offered to the customer (the latter being particularly complex to identify and quantify).

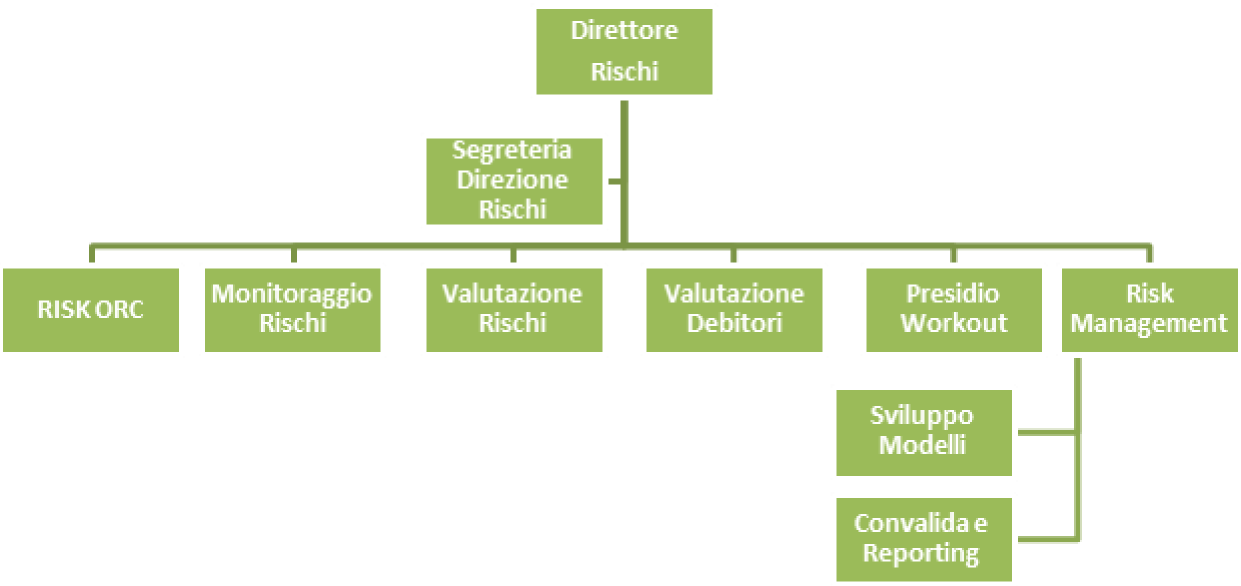
[2] I.e., those with whom the factor has risks that must be discharged by those counterparties; therefore, these also include transferors for advances received.

- 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 (known as conventional expiry).

The internal control system set up by the company proposes to mitigate the manifestation of the above risks, which could lead to losses should they arise.
The planned progressive integration towards the Parent Company's credit risk control model, in addition to the scenario, in recent years, of exceptional macro-economic factors which have required and will require measures to be taken, including legislative, by the Regulators, who have facilitated the introduction of a gradual implementation of the credit risk control process.

2. Credit risk management policies

2.1 Organisational aspects
The Division's organisational structure is as follows:



The Head of the Risk Division holds the position of Head of the Risk Control Unit and, in this capacity, reports hierarchically to the Board of Directors; the Risk Division is integrated into the RISK organisational model of the BNP Paribas Group, with the consequent close link and reporting of the Head to the Factoring Global CRO of BNPP6, with which it acts in close coordination.
The Head of the Division is the Point of Contact for outsourced services in the Internal Audit area of the Internal Rating System.
The Operational Risk Point of Contact functionally reports to the Head of the Risk Division, to whom he/she sends suitable information flows on pertinent risks, their recording and periodic monitoring and the mitigation actions implemented with the related Risk Owners.

The Permanent Controls are present in three units and are carried out by RISK ORC, the Risk Monitoring Department and the Risk Management Department. The Risk Division Office unit gathers together the secretarial activities, in the Risk Manager's staff. The remaining units of the Division are at line level.

Risk Division

- oversees the processes relating to the assumption of 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.
- ensures constant monitoring of credit risks and those envisaged as part of the ICAAP process for the relevant areas of responsibility.
- 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.
- ensures, in coordination with the responsible Units of the BNP Paribas Group, the monitoring of the Company's operational risks in its role as second line of defence and the coordination of the activities carried out by the first line of defence.
- It oversees the internal audit activities outsourced of the Internal Rating System, carried out in outsourcing by BNL SpA – DR – B2C

As a result of the outsourcing to Business Partner Italia S.C.p.A. of Workout activities, the Workout Activities Oversight Unit performs the role of Point of Contact for the Workout services outsourced (Problem asset management; Servicing on behalf of third parties and government authorities management; Revocation management, 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; Analysis and Reporting).
The general mission is established by means of the Business Units indicated above, whose missions are summarised below.

Risk Division Office

- supports the Sales Division, the Transferor Risk Assessment and the Debtor Risk Assessment service in handling the transferor and debtor approval procedures for the Credit Committee (Ordinary and Integrated sessions) and BoD. Fulfils the obligations set forth by the Committee and forwards the documentation for which the opinion of the competent units of other Entities of BNP Paribas Group has been requested and performs any follow-up for the outcome, seeing to any changes set forth;
- ensures, for all paper files, the correct insertion in FIS of the limits without recourse of debtors approved by the Monocratic Bodies;
- oversees the preparation of the Default Committees in the envisaged Judgemental Impairment and Stock Sessions, supporting the Risk Manager in administering the resolutions taken by the Committee, receiving the opinion of BNL where required;
- 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 judgemental assignment of the risk measures;
- oversees the process of publishing ratings in FIS attributed at the end of the quarter in application of the simplified valuation process (known as Sme Policy Performance);
- handles requests from Debtor Assessment to enter data in the master file for foreign parties and enter limits in Mediana/FIS, directly or through the use of services, for the assessment of the corresponding risks by the appointed requesting units (Val.DE);
- manages the flow of requests from the potential clients resulting from approval of without-recourse Feasibility Reports (opinions), ensuring, directly or through the use of the service, the correct entry of the reports and the related assignment to the units assigned to assess the corresponding risks;
- handles the safekeeping of the documents acquired at the approval stage (paper and/or online archiving);
- supervises the service relating to document archiving insofar as it is responsible;
- ensures for the approved limits, the control of the correctness of the data input in FIS, by means of a comparison between the data input and the original resolutions received from the Debtor Assessment service if on paper or the extracts produced by PEF (Electronic loan application) processed by IT on a daily basis;
- it sees to the handling of the restrictive measures resolved with reference to risks without recourse (revocations/reductions both PEF and on paper) by performing the related tasks (registration in FIS, etc.).

- ensures the adjustment of any errors detected in the FIS company information system relating to the processing of without-recourse limits.

Risk Operational Risk & Control / RISK ORC
The function was established as an internal structure in the last quarter of 2018.
The Risk Division is responsible for defining and supervising the overall operational risk management framework in its role as "second line of defence" together with Compliance, Legal, Tax and Finance to the extent of their direct concern.
Risk ORC is the structure in charge of this role that is carried out, in summary, in the following activities:

- ensure the dissemination and monitoring of compliance with the regulations, directives and methods of the Group in the field of Operational Risks, the assessment of the consequent choices regarding the methods and tools used and the assistance/consultancy on the matter to all company structures;
- supervise the qualification/quantification of historical operational risk incidents (HI Quality Review) by proposing any mitigation actions;
- ensure the definition of the mapping of the Company's operational risks (RCSA Risk & Control Self-Assessment), by supervising the activities carried out by OPC (Operational Permanent Controllers) and by Divisions/Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the definition of the Company's control plan, by supervising the activities carried out by the Risk Owner Company Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the supervision of the finding monitoring activities and recommendations issued by the periodic inspections (Inspection Générale), by the Regulator, by the Control Bodies and of the relevant corrective actions;
- ensure the effective implementation of strategies, frameworks and risk mitigation actions with the 1st line of defence, through the follow-up of action plans and the independent control of the activities carried out, either through tests of the controls carried out by the first line of defence or, if deemed relevant, any other type of controls;
- contribute to the dissemination of the culture and awareness of operational risk and to the formation of the risk mitigation framework;
- express an independent and alert view of the level of risk and the status of the operational risk mitigation framework;
- ensure internal management reporting to the Company's Control Bodies, to BNL SpA and to the Parent Company for matters falling within its competence;
- ensure the implementation of the outsourcing device by taking care of the implementation of the first line of defence on it;
- ensure, for the part of any activities allocated to BNL, the definition of Service Level Agreement/SLA and monitoring of the activities carried out.
- With reference to the internal and external fraud protection device:
  - ensure, in accordance with the Group guidelines, the coordination of initiatives for the management of fraud reports as well as assistance/consultancy on the matter;
  - ensure the implementation of the systems required for the prevention, identification, control and monitoring of the internal and external fraud protection system, as well as the coordination or direct management of investigations;
  - contribute, together with the first line of defence, to the training of personnel on the culture of prevention and defence against the risk of fraud.

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 this area, the Department:

- conducts checks regarding the lending process and the management of the relationship and collections based on internal regulations;
- 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/review of the positions;
- 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;
- conducts controls on the process of allocating for impaired accounts; monitors the achievement of lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Divisions concerned;

- controls the consistency of the risk status classifications of the positions according to the guidelines of BNP Paribas Group 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;
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 Senior 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.

<u>Risk Management Department</u>
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 (PD, LGD, Dilution) and support in the implementation of models 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 updating 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 performance and the accuracy of estimates produced by local models following the resolution of any critical aspects detected within its activities. A specific periodic disclosure is prepared to report on these activities to the Company's Governance and Control Bodies. 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 reporting activities, it implements a control reporting system intended for Senior and Top Management on the performance of asset quality (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 significant sector risks, drafting of information sent to the Risk Policy Committees, etc.), provides the necessary disclosure support to management so that it can carry out its functions as part of the budgeting and periodic audit process (forecast), as well as disclosure support for the performance of the risk cost control activities carried out by management (Action Plan), performs second-level data quality controls for its area of responsibility on the internal rating system and on the information forwarded to central application software for calculating requirements, 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

- 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:
- 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;
- express a fairness opinion on the rating automatically calculated by the software as part of the transferor credit proposals;
- 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);
- validates the risk measures (rating and GRR) assigned in judgemental mode (central models) for both without-recourse transferors and debtors;
- validates the rating values calculated by the engines as part of the process of renewing debtors without recourse for a reduced amount;
- supports the Default Committee in applying deviations from the Company Allocation Standards, expressing the Risk Opinion on the departure proposals put forward.

Debtor Assessment

- prepares and assesses without-recourse Debtor files and oversees the quality of these risks over time, in particular:
  - resolves within the authorised limits or submits without-recourse risks to the competent bodies;
  - assesses the consistency of the rating assigned by the software with the general risk profiles of the without-recourse Debtor, activating override processes, if necessary;
  - formulates proposals for assigning risk measures (rating and GRR SU) in judgemental mode for without-recourse debtors and submits them for validation to the Risk Assessment Department.
  - sees to, directly or via the use of services, the entry of the results of the resolutions relating to without-recourse limits and any reinsurance of the same in the Electronic Procedure or in the FIS company information system;
  - manages, with the credit insurance companies, the requests for granting, renewal or revocation of the individual insurance coverage;
  - sees to the review of outstanding without-recourse risks;
  - manages the limits subordinated to the acquisition of accessory guarantees in co-ordination with the Management Division (responsibility of VAL.DE)
  - examines the prepayment plans proposed or the requests for related extensions, submitting them to the competent bodies for authorisation;
  - adopts restrictive measures aimed at safeguarding the risk undertaken by means of decreases, changes and revocations of without-recourse limits;
  - handles the updates 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 BNP Paribas Group;
  - sees to the main without-recourse debtor risk concentration, including by assigning portions of Major Debtor Limits or Debtor Group Limits, entering in the FIS company information system the results of the related resolutions and carrying out the appropriate controls in observance of the limits approved;
  - analyses the periodic downgrades of internal ratings of risks under its responsibility for case-by-case decisions;
- as part of managing counterparty risk:
  - supports the Head of the Division 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
  - draws up suitable disclosure for the Owners with regard to the requirements of pro tempore policies in force so as to permit the correct operational handling; monitors the suitability of the CPAs resolved for foreign correspondents and insurance companies, handling the Annual Review process in collaboration with GFCC.

Workout Activities Unit

It oversees the Workout activities outsourced, 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.

This unit draws up the reporting on all disputes and revocation actions for parties managed by the Workout unit of BPI.

For "legal deeds", it manages acceptance and activates the Workout unit of BPI for parties with the status Non-Performing – Arrears Unlikely to Pay – Agreed Unlikely to Pay.
It collects the proposals for reclassification of status of without-recourse transferors and debtors and submits them for the review and authorisation of the decision-making bodies, handling the entry in the company information system of the change of status resolved with regard to without-recourse debtors.

2.2 Management, Measurement and Control Systems

Internal Rating System (IRS)

The Ifitalia IRS, established in 2005, has undergone a progressive change which continued throughout 2016, as reported in relation to activities associated with the Basel 2 Programme. The Probability of Default (PD) models that apply to the Large Corporate, Small Mid Corporate and SME Retail segments adopt a methodology that is in line with Group standards for the portion locally implemented. 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 releases safeguard the principle of the uniqueness of the rating value by supplementing these 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 entities of BNP Paribas Group, a single master scale is used to assess the one-year PD of counterparties included in the application scope of the models.
In addition to being a management control instrument and compliant with IFRS 9 requirements, the PD models in use were implemented as part of regulatory provisions to determine 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 financial, qualitative and performance variables. The probabilities of default obtained are corrected to consider the influence of the economic cycle in a way to reduce its influence and cyclicality. 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 utmost reliability over time of the process to estimate and input the risk measures and their correct application in company processes. LGD and Dilution were developed internally, 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 that 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 other risk measures, which, together with the PD, make up the IRS, note that the Loss Given Default (LGD) is used in management reporting, particularly in reference to analyses highlighting the distribution of expected loss and consistency with coverage levels (shortcut/excess), as well as for IFRS 9 purposes.

2.3 Credit risk management policies

Reporting

The reporting process drawn up by the Risk Management Dept. takes the form of periodic disclosure to the Risk Policy Committee (RPC)[3] of BNP Paribas Group, Senior Management, and the first level of responsibility of business management, and contains, among other things, qualitative-quantitative information on portfolio risk and the level of sector 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. and intended for Senior Management – subject to discussion if necessary with the process Owners – with the aim of informing Senior Management 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.

[3] Credit Policy Committee

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

Delegation system

The system of lending powers systematically supplements the use of the rating in the credit authorisation process with depth in the structure for exercising 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[4]" and a "risk chain[5]". According to this process, all lending resolutions relating to the with-recourse transferor and debtor risk are made by the commercial chain, which avails itself of the support of a team of specialised credit risk analysts, who express credit opinions (known as risk opinions) on the credit proposals developed.

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 General Management 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.

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

For both 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 customers and debtors that are not shared.

The presence of insurance coverage 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 are also subject to review by the Parent Company for the largest amounts or which, due to lender type, are reserved for the exclusive competence of the Board of Directors.

Lending policies

A set of "Specific Credit Policies", approved by the Board of Directors, supplements 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" concern aspects such as:

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

The implementation of 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, known as "IFIPEG".

"Systematic Supervision" is the set of management rules and processes for the individual risk positions of transferor and debtor counterparties, hereinafter referred to as "customers", aimed at ensuring constant reporting and assessment of risk, the consequent classification and the timely and effective application of management strategies designed to minimise the

[4] "Commercial chain" means the business units of the Sales Division tasked with initial approval/decision-making activities.

[5] "Risk chain" means the business units of the Risk Division tasked with credit risk assessment activities in the initial approval process.

impact from risk increase, with a view to preserving the quality of these credit assets. Anticipatory management is envisaged, both in Basel regulations and in Bank of Italy supervisory instructions, as one of 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 risk exposures, which also assesses the manner in which the changing risk profile of the institution could influence its capital requirements. 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 early management of 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 risk exposures, which also assesses the manner in which the changing risk profile of the institution could influence its capital requirements.

The Systematic Supervision process is organised into 3 pillars:
- On-going classification of 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 early management of the deterioration of loan quality as well as its permanent and on-going monitoring;
- Action plans, focused on the reduction/reclassification of the risk vis-à-vis high risk customers.

These pillars are strictly linked to the Monitoring process, which constitutes the final phase of the broader 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;
- the Customer 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, the Customer leaves the process when:
- he/she no longer has dealings with Ifitalia;
- the position 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: 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: includes all 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 as part of the process to implement the new IFIPEG 2.0 tool. -

Organisation of the Committees
For the purpose of ensuring an integrated management of the processes, the Company has established an organisational structure that envisages the meeting of Committees where the relevant business units are occasionally called to provide their contribution through an integrated approach.
In particular:

Credit Committee
It decides on the granting of loans and authorises their disbursements, within the limits of the powers granted.
It expresses opinions regarding lending in line with 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 administrative sub-delegation and use of the credit facilities, including registered by name, to be assigned to certain defined business roles.
The Credit Committee meets in "ordinary" and "integrated" sessions. In the "integrated" session, the Credit Committee resolves solely on granting loans that exceed the powers of the "ordinary" session, without prejudice to the powers reserved exclusively to the Board of Directors.

Non-Standard Product Validation Committee
It authorises all the “non-standard products”, understood as 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 name of the Committee was changed to Product, Activities, Exceptional Transactions (COPAT) Committee as from December 2018 together with the entry of RISK ORC as a reference on aspects related to operational risk.
The Committee is responsible for assessing the impacts:

- on the components of credit risk, operational risk, market risk, ALM risk (interest rate risk and liquidity risk), risk of non-compliance, reputation risk and image risk;
- on the control system;
- on accounting and administrative processes/systems and on commercial, financial and supervisory reporting;
- on tax aspects;
- on legal aspects;
- on IT systems and/or infrastructure components;
- on distribution processes;
- on organisational aspects;
- on data, in terms of their quality compared to the different purposes of use.

Risk Monitoring Committee
The Risk Monitoring Committee, consistent with the Group model, is an analysis and decision-making body which ensures the integrated supervision of significant risks, also with a view to valuation of the level of adequacy of the available capital.
This Committee is the venue in which business management discusses the valuation of risks carried out by the competent units and assesses the mitigation action proposed by the responsible units, 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 its areas of responsibility - control is exercised by the Risk Control Units, and represents a point of business synthesis which ensures a single view of 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 trends in 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, consistent with the processes defined at BNP Paribas Group level;
- directly downgrading, if necessary, the rating assigned to the customer;
- assessing the action/initiatives to mitigate risks and modify developmental trends in activities to contain risks and RWAs;
- providing a global and systematic vision of the situation within the sphere of the permanent control system and operational risk;

- intervening, in a dedicated session and in an anticipatory logic, on relations that present a relevant fraud scoring with decisions that can lead
    - to the maintenance of the relationship without any change compared to the existing situation;
    - to the maintenance of the relationship with a restructuring of the operations where necessary, also requiring the activation of a new investigation process;
    - to the inclusion of the name in the Watchlist;
    - to the request for an amicable exit from the relationship;
    - to status changeover, referring the valuation of the relevant provisions to the competent bodies.
- analysing and acquiring collective decisions with regard to the permanent control system and operational risks;
- supporting the Business Continuity manager in reporting, sharing and validating the information and initiatives aimed at maintaining 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 business;
    - 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 significant risks: collecting and reviewing reports on trends in the adequacy of the available capital (ICAAP) and of the significant risks drawn up by the competent business 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 to mitigate risks and modify developmental trends in activities to contain risks and the RWAs;
- ensuring the supervision of supplier risk so as to efficiently manage any issues deriving from the commercial dealings with suppliers, ensuring the quality and continuity of the related activities.

Default Committee

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

This Committee works through two internal sessions: *Ordinary* (assesses and resolves the reclassification of 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 (Automatic IPA/IP), assesses and resolves allocations to provisions for risk starting from EUR 600 thousand) and Stock (assesses the management activity of 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.

Techniques for mitigating the credit risk

The mitigation of 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 contracted essentially on foreign transactions and for transactions with specific customers. This choice is consistent with the strategies implemented within the factoring hub of BNP Paribas Group, where normally the assumption of without-recourse debtor risk is accompanied by an insurance guarantee or a guarantee from 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 assumed;
- processes for gathering the subscription of guarantees;
- processes for the control, custody and registration of the guarantees.

The organisational and technological processes take into due account the necessary functional distinction that must be assigned among the party that defines the standard texts, the party that collects the guarantees, and the party that checks/holds/validates them.

The credit protection usually undertaken is unsecured (unfunded), while the use of secured (funded) credit protection instruments is typically associated with protection of already non-performing loans/receivables and, therefore – contrary to banking activities - is more of an exception than a usual risk mitigation instrument.

2.4 Projects underway that will be realised as from 2019

The project entitled “Basel II Programme” to adopt the IRB Advanced approach for the calculation of the credit risk capital requirement has currently reached a very advanced stage and the application to the supervisory authority is expected during 2019. This project involved a significant evolution of processes and tools supporting the business divisions overseeing and governing credit and dilution risk.

With regard to dilution risk, a specific control framework was identified that pertains to the various phases of the credit process and is designed to maintain the amount of this risk within limits that are considered insignificant.

Along with these developments, a substantial intervention is envisaged for the scoring system already in place to extend its application as well as to increase its ability to classify even more selectively, consistent with the pro tempore risk objectives defined by the business.

A further strengthening of the framework for preventing the risk of external fraud already started in 2018 with the generation of the "ex-ante fraud score" mentioned above, with reference to:

- the activation of the Audit process on transferors;
- the activation of a tool point in time with the aim of reporting attempted frauds already at the time of the transfer;
- a training and awareness-raising programme on the risk of fraud in general and with a particular focus on external factoring fraud.

Finally, the overall adaptation of the operational risk control framework that will be a direct expression of that of the BNP Paribas Group will be completed, albeit applied to the national situation.

3. Impaired credit exposures

Classification of impaired assets

The definition of impaired credit exposures is described by the company in a procedure that identifies the detection methods/criteria of the status of the counterparty.

This identification may be automatic (subjects in impaired past due status) or evaluated (arrears unlikely to pay and non-performing loans).

Subjects defined in past due/impaired status

Given that the past due must be on-going, as part of factoring transactions the continuity of the past due is recorded as follows:

- in the case of "with recourse" transactions, the past due exposure, other than that related to the future loan/receivable factoring transaction, is determined exclusively upon the fulfilment of both of the following conditions:
  − the advance is for an amount equal to or greater than the total loans/receivables yet to fall due;
  − 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.
- in case of transactions "without recourse", for each transferred debtor, reference must be made to the individual invoice with the longest delay.

Therefore, for factoring transactions, the exposures recognised on parties pursuant to IAS/IFRS are "past due assets" when both conditions of persistence and materiality are met at the same time.

Subjects defined as arrears unlikely to pay and non-performing loans

- Unlikely to pay: the classification of counterparties in this category is the result of the company's opinion as to the unlikelihood that, without recourse to actions such as enforcement of the guarantees, the debtor/transferor fully meets his/her credit obligations (in terms of principal and/or interest). 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 that imply a situation of counterparty default risk (for example, a crisis in the industrial sector in which it operates). All cash and off-balance-sheet exposures to a counterparty in this situation are referred to as "unlikely to pay", unless the conditions for classification as non-performing are met.
- Non-performing loans: this category includes all cash and off-balance-sheet exposures vis-à-vis a party in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts

made by the company. The exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded.

Return to performing
The counterparty can leave the non-performing status:
- when the exposures are fully discharged, including interest on arrears;
- if, once the conditions for maintaining the position as Non-performing no longer exist, it is returned to performing/Unlikely to pay by means of a specific resolution passed by the Positions delegated for this purpose;
- in case of full loss transfer of the position not recovered in whole or in part.

The counterparty can leave the unlikely to pay status:
- when the entire exposure classified as Unlikely to pay has been discharged;
- if the status of Unlikely to Pay is among those that required an automatic placement, the position can be relocated to a different status only by resolution of the decision-making body granted the right to do so.

The counterparty can leave the impaired past due status:
- the automatic positions do not require a resolution for the return to performing (BON/Bonis), in that the exit from this status is managed directly by the information system that checks on a monthly basis the absence of the conditions of materiality and persistence of the past due positions that determined the placement or the end of the "cure period".

Procedures for defining, managing and controlling anomalous items at Group level
The status coordination activity is transversal to all the entities of the BNPP group in order to achieve a homogeneous reclassification of the status of the customer. Alignment is a process that needs to be coordinated from the moment the state changeover is prepared for all the statuses being assessed. The status alignment process is not automatic but always subject to coordinated evaluation by the Group entities.

Management and recovery process for non-performing loans not yet due
The supervision of the collection process for impaired positions – other than past due and some of the 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, the Unit implements collection strategies that consider:
- the status of the position and counterparties resulting from the data in its possession at the time the documentation is received and subsequently acquired;
- the effective amount to be collected and economic advantages of possible actions 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 collection forecasts and to quantify the amount of provisions deemed adequate in light of the status of the position when the forecasts are formulated and each time there are new elements that allow to change it.
In relation to the unlikely to pay/non-performing positions with contained risk amounts, external servicers are used, 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 (known as Collective Write-down) and non-performing receivables (known as Global impairment and analytic impairment). The process for provisioning and status changeover is co-ordinated by the Default Committee referred to above.
At present, the Company writes off exposures when it has no reasonable expectation of recovering the financial asset and for the amount deemed irrecoverable. The same operations are applied to items of insignificant amount on the basis of a cost/benefit analysis of the recovery process.
At the same time, the Company is working to formalise the specific write off policies adopted as part of its broader strategies for managing impaired loan positions.

4. Financial assets subject to commercial renegotiations and exposures subject to concession

Exposures falling under the categories of "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined in the ITS are credit exposures subject to concessions (forbearance).
Credit exposures subject to concessions (forbearance) can fall both under the categories of "Non-performing forborne exposures (with forbearance measures)" and "Performing forborne exposures" as defined in the ITS.

Forbearance measures are represented by concessions/rescheduling with counterparties that are, or are expected to be, in difficulty in meeting the originally agreed deadlines (financial difficulties).
Exposures must not be treated as forborne when the debtor is not in financial difficulty (no subjective requirement).
The valuation component from which the opinion of state of difficulty at the time of the request for concession/rescheduling arises is necessary to determine whether the measures put in place are to be understood as forbearance measures.
A concession/rescheduling can be referred to any of the following actions:
a) a change in the previous contractual terms and conditions that the counterparty had to comply with and that counterparty is considered unable to comply with in the absence of the previous contractual terms and conditions due to financial difficulties (debt management problems) and which would not have been granted had the counterparty not been in such difficulties;
b) a total or partial refinancing/rescheduling of debt that would not have been granted had the counterparty not been in financial difficulty.
A concession/rescheduling can result in a loss for the bank/intermediary but this is not an absolute precondition. Therefore, a forbearance measure does not necessarily involve a loss.
In the business application, the focus is placed on the subjective assessment of the state of difficulty of the counterparty requesting the changes in due dates (forbearance measures) from which can derive - together with the existence of certain objective assumptions - the requirement of placing the counterparty among the NPE forborne exposures.
In particular, to ensure the above, the following guidelines are defined:
1 Changes in deadlines must be due to two distinct and alternative circumstances:

1.1 commercial reasons (trade concessions), i.e. problems related to the underlying supply and/or commercial policies of the purchaser and/or sector specificity in the absence of a state of difficulty and therefore of the counterparty;

1.2 change in deadlines resulting from a lack of funds in the presence of a state of difficulty of the counterparty (non-commercial concessions).

2 Some reasons constitute rebuttable presumption or absolute presumption of the case under 1.2.
3 The treatment must be differentiated between the debtor role (without recourse) and the transferor role (with recourse), meaning that

3.1 the debtor role without recourse is a debtor counterparty where there are receivables without recourse;

3.2 the transferor role with recourse is a transferor counterparty where there are exposures with recourse.

QUANTITATIVE INFORMATION

1. Distribution of financial assets by portfolio and loan quality (book values)

(thousands of €

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	Total
1. Financial assets measured at amortised cost	61,248	55,142	25,875	1,326,108	6,278,808	**7,747,181**
2. Financial assets at fair value through other comprehensive income						**-**
3. Financial assets designated at fair value						**-**
4. Other financial assets mandatorily measured at fair value					5,181	**5,181**
5. Discontinues operations						**-**
Total 31/12/2018	61,248	55,142	25,875	1,326,108	6,283,989	7,752,362

2. Distribution of financial assets by portfolio and loan quality (gross and net values)

(thousands of €)

Portfolios/quality	Impaired				Performing			Total (net exposure)
	Gross Exposure	Total value adjustment	Net exposure	Overall partial write-off *	Gross Exposure	Total value adjustment	Net exposure	
1. Financial assets measured at amortised cost	437,026	(294,761)	142,265		7,615,809	(10,893)	7,604,916	7,747,181
2. Financial assets at fair value through other comprehensive income			-				-	-
3. Financial assets designated at fair value			-		X	X	-	-
4. Other financial assets mandatorily measured at fair value			-		X	X	5,181	5,181
5. Discontinued operations			-				-	-
TOTAL (2018)	**437,026**	**(294,761)**	**142,265**	**-**	**7,615,809**	**(10,893)**	**7,610,097**	**7,752,362**

(thousands of €)

Portfolios/quality	Low creditwhorthness assets		Other assets
	Capital Losses Cumulative	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total (2018)	-	-	-

* Value to be shown for information purposes

3. Distribution of financial assets by maturity brackets (book values)

(thousands of

Portfolios/quality	First level			Second level			Third level		
	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days
1. Financial assets measured at amortised cost	457,064	114,299	650,456	45,359	15,177	43,752	1,404	2,930	432,693
2. Financial assets at fair value through other comprehensive income									
Total (2018)	457,064	114,299	650,456	45,359	15,177	43,752	1,404	2,930	432,693

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

(thousands of €)

Causes/Risk status	Total value adjustments													Total provisions on commitments to disburse funds and financial			Total
	Assets in the first status				Assets in the second status				Assets in the third status								
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	of which: single write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	of which: single write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	of which: single write-downs	of which: collective write-downs	of which: impaired financial assets acquired or originated	First Level	Second Level	Third Level	
Opening Balance	-	-	-	-	5,565	-	-	5,565	270,187	-	270,187	-	-	-	254	1,277	277,283
Increases in financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments/writebacks for credit risk (+/-)	(138)	-	-	(138)	(357)	-	-	(357)	10,434	-	10,434	-	-	23	(58)	-	9,902
Contract modifications without eliminations	2	-	-	2		-	-		-	-	-	-	-	-	-	-	-
Changes in estimation method	4,415	-	-	4,415	1,492	-	-	1,492	26,688	-	26,688	-	-	213	(75)	-	32,733
Write-off	-	-	-	-	-	-	-	-	(10,213)	-	(10,213)	-	-	-	-	-	(10,213)
Other changes	115	-	-	115	(199)	-	-	(199)	(2,335)	-	(2,335)	-	-	(4)	11	5	(2,407)
Closing balance	4,394	-	-	4,394	6,501	-	-	6,501	294,761	-	294,761	-	-	232	132	1,282	307,298
Recoveries from collections on financial assets written off	-	-	-	-	-	-	-	-	538	-	538	-	-	-	-	-	538
Write-offs recognised directly to the income statement	-	-	-	-	-	-	-	-	(1,994)	-	(1,994)	-	-	-	-	-	(1,994)

The main changes in the value adjustments of loans/receivables in 2018 are related:

1) to the adoption of the new accounting standard IFRS 9 and in particular, the introduction of the new rules for staging and calculating impairment led to an increase of EUR 32.7 million in write-downs upon FTA (before taxes, EUR 10.81 million), broken down as follows:

- Stage 1 increase in write-downs of EUR 4.63 million;
- Stage 2 increase in write-downs of EUR 1.42 million;
- Stage 3 increase in write-downs of EUR 26.69 million.

2) Write-offs of EUR 10.2 million in loans/receivables no longer due;

3) new provisions for the period in line with the recovery estimates made by the operator for EUR 9.9 million.

5. Financial assets, commitments to grant funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

(thousands of €)

Portfolios/quality	Gross Value / Nominal Value					
	Transfer from first stage to second stage		Transfer from first stage to third stage		Transfer from second stage to third stage	
	From first status to second status	From second status to first status	From second status to third status	From third status to second status	From first status to third status	From third status to first status
1. Financial assets measured at amortised cost	90,259	1,765,678	20,443	26,114	37,734	40,778
2. Financial assets at fair value through other comprehensive income						
3. Commitments to grant loans and financial guarantees issued	3,381	5,927	8	-	194	-
Total 31/12/2018	93,640	1,771,605	20,451	26,114	37,928	40,778

6. Credit exposures to customers, banks and financial businesses

6.1 Off-balance sheet credit exposures to banks and financial businesses: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		Total value adjustments and total provisions	Net Exposure	Overall partial write-off*
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	1,646	X	(1,646)	-	
-of which forborne exposures	-	X	-	-	
b) Unlikely to pay	19	X	-	19	
-of which forborne exposures	-	X	-	-	
c) Impaired past due loans	693	X	(1)	692	
-of which forborne exposures	-	X	-	-	
d) Performing Past due loans	X	10,152	(5)	10,147	
-of which forborne exposures	X	-	-	-	
e) Other Performing Assets	X	74,118	(172)	73,946	
-of which forborne exposures	X	-	-	-	
TOTAL A	**2,358**	**84,270**	**(1,824)**	**84,804**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets				-	
b) Performing assets	X	8,299	-	8,299	
TOTAL B	**-**	**8,299**	**-**	**8,299**	**-**
TOTAL (A+)B	**2,358**	**92,569**	**(1,824)**	**93,103**	**-**

* Value to be shown for information purposes

6.2 Cash credit exposures to banks and financial businesses: changes in gross non-performing exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**1,711**	**-**	**612**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**-**	**19**	**693**
B.1	entries from performing exposures		19	
B.2	entries from impaired financial assets acquired or originated			
B.3	transfers from other categories of impaired exposure			
B.4	contract modifications without eliminations			
B.5	other increases			693
C.	***Decreases***	**(65)**	**-**	**(612)**
C.1	exits to performing exposures			
C.2	write-offs			
C.3	collections			
C.4	sale proceeds			
C.5	losses on sale			
C.6	transfers from other categories of impaired exposures			
C.7	contract modifications without eliminations			
C.8	other decreases	(65)		(612)
D.	***Gross final exposure***	**1,646**	**19**	**693**
	of which: exposures sold, but not eliminated			

6.2bis Cash credit exposures to banks and financial businesses: changes in exposures subject to concessions broken down by credit quality

There were no amounts in this section.

6.3 Impaired cash credit exposures to banks and financial businesses: changes in total value adjustments

(thousands of €)

	Cause/Categories	**Doubtful loans**		**Unlikely to pay**		**Impaired past due loans**	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**1,695**					
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**-**	**-**	**-**	**-**	**1**	**-**
B.1	value adjustments from impaired financial assets acquired or		X		X		X
B.2	other value adjustments					1	
B.3	losses on sale						
B.4	transfers from other categories of impaired exposures						
B.5	contract modifications without eliminations		X		X		X
B.6	other increases						
C.	***Decreases***	**(49)**	**-**	**-**	**-**	**-**	**-**
C.1	write-backs from valuation	(49)					
C.2	write-backs from collection						
C.3	gains on sale						
C.4	write-offs						
C.5	transfers from other categories of impaired exposures						
C.6	contract modifications without eliminations		X		X		X
C.7	other decreases						
D.	***Final total adjustments***	**1,646**	**-**	**-**	**-**	**1**	**-**
	- of which: exposures sold, but not eliminated						

6.4 Off-balance sheet credit exposures to customers: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		Total value adjustments and total provisions	Net Exposure	Overall partial write-off*
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	302,854	X	(241,606)	61,248	
-of which forborne exposures	18,972	X	(16,326)	2,646	
b) Unlikely to pay	104,251	X	(49,128)	55,123	
-of which forborne exposures	13,384	X	(3,838)	9,546	
c) Impaired past due loans	27,563	X	(2,380)	25,183	
-of which forborne exposures	-	X	-	-	
d) Performing Past due loans	X	1,315,956	(1,133)	1,314,823	
-of which forborne exposures	X	881	(1)	880	
e) Other Performing Assets	X	6,215,583	(9,583)	6,206,000	
-of which forborne exposures	X	71	(3)	67	
TOTAL A	**434,668**	**7,531,539**	**(303,830)**	**7,662,377**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets	25,385	-	(1,283)	24,102	
b) Performing assets	X	390,842	(364)	390,478	
TOTAL B	**25,385**	**390,842**	**(1,647)**	**414,580**	**-**
TOTAL (A+)B	**460,053**	**7,922,381**	**(305,477)**	**8,076,957**	**-**

* Value to be shown for information purposes.

6.5 Credit exposures to customers: changes in gross impaired exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**289,265**	**150,902**	**76,972**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**38,493**	**18,682**	**10,549**
B.1	entries from performing exposures	1,916	18,682	8,109
B.2	entries from impaired financial assets acquired or originated			-
B.3	transfers from other categories of impaired exposure	35,079		1,434
B.4	contract modifications without eliminations			-
B.5	other increases	1,498		1,006
C.	***Decreases***	**(24,903)**	**(65,334)**	**(59,959)**
C.1	exits to performing exposures	(13,556)	(25,768)	(57,235)
C.2	write-offs	(8,963)	(598)	(131)
C.3	collections	(2,384)	(3,863)	
C.4	sale proceeds			-
C.5	losses on sale			-
C.6	transfers from other categories of impaired exposures		(35,079)	(1,425)
C.7	contract modifications without eliminations			-
C.8	other decreases		(26)	(1,168)
D.	***Gross final exposure***	**302,854**	**104,251**	**27,563**
	of which: exposures sold, but not eliminated			

6.5bis Cash credit exposures to customers: changes in gross exposures subject to concessions broken down by credit quality

(thousands of €)

	Cause/Categories	Forborne exposures: impaired	Forborne exposures: performing
A.	***Starting gross exposure***	**28,690**	**538**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**8,912**	**466**
B.1	entries from performing not forborne exposures	5,641	
B.2	entries from performing forborne exposures	14	X
B.3	entries from impaired forborne exposures	X	
B.4	other increases	3,257	466
C.	***Decreases***	**(5,246)**	**(52)**
C.1	exits to performing not forborne exposures	(512)	
C.2	exits to performing forborne exposures	-	X
C.3	exits to impaired forborne exposures	X	(6)
C.4	write-offs	(834)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(3,900)	(46)
D.	***Gross final exposure***	**32,356**	**952**
	of which: exposures sold, but not eliminated		

6.6 Impaired cash credit exposures to customers: changes in total value adjustments

(thousands of €)

	Cause/Categories	Doubtful loans		Unlikely to pay		Impaired past due loans	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**203,644**	**13,257**	**62,494**	**4,130**	**2,354**	**-**
	- of which: exposures sold, but not eliminated	-	-	-	-	-	-
B.	***Increases***	**58,019**	**4,307**	**15,487**	**2,728**	**26**	**-**
B.1	value adjustments from impaired financial assets	-	X	-	X	-	X
B.2	other value adjustments	12,579	617	10,717	1,511	26	-
B.3	losses on sale	-	-	-	-	-	-
B.4	transfers from other categories of impaired exposures	22,822	1,872	700	-	-	-
B.5	contract modifications without eliminations	-	X	-	X	-	X
B.6	other increases	22,618	1,818	4,070	1,217	-	-
C.	***Decreases***	**(20,057)**	**(1,238)**	**(28,853)**	**(3,020)**	**-**	**-**
C.1	write-backs from valuation	(6,986)	(573)	(1,910)	(509)	-	-
C.2	write-backs from collection	(3,743)	-	(2,536)	(446)	-	-
C.3	gains on sale	-	-	-	-	-	-
C.4	write-offs	(9,328)	(609)	(885)	(170)	-	-
C.5	transfers from other categories of impaired exposures	-	-	(23,522)	(1,873)	-	-
C.6	contract modifications without eliminations	-	X	-	X	-	X
C.7	other decreases	-	(56)	-	(22)	-	-
D.	***Final total adjustments***	**241,606**	**16,326**	**49,128**	**3,838**	**2,380**	**-**
	- of which: exposures sold, but not eliminated	-	-	-	-	-	-

7. Classification of financial assets, commitments to grant funds and financial guarantees given based on internal and external ratings

7.1 Breakdown of financial assets, commitments to grant funds and financial guarantees given by external rating classes (gross values)

(thousands of €

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**448,766**	**1,609,287**	**1,283,616**	**313,279**	**152,810**	**13,085**	**4,231,993**	**8,052,836**
- First level	447,408	1,532,114	1,177,314	264,115	148,600	2	3,115,114	**6,684,667**
- Second level	1,358	75,739	104,682	44,434	3,620	535	700,774	**931,142**
- Third level	-	1,434	1,620	4,730	590	12,548	416,105	**437,027**
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First level								**-**
- Second level								**-**
- Third level								**-**
Total (A + B)	**448,766**	**1,609,287**	**1,283,616**	**313,279**	**152,810**	**13,085**	**4,231,993**	**8,052,836**
of which: impaired financial assets acquired or originated								
C. Commitments to disburse funds and financial guarantees	**5,470**	**157,987**	**115,959**	**2,776**	**655**	**-**	**141,679**	**424,526**
- First level	5,470	157,539	115,565	2,349	617	-	106,217	**387,757**
- Second level	-	448	394	427	38	-	10,077	**11,384**
- Third level	-	-	-	-	-	-	25,385	**25,385**
Total (C)	**5,470**	**157,987**	**115,959**	**2,776**	**655**	**-**	**141,679**	**424,526**
Total (A + B + C)	**454,236**	**1,767,274**	**1,399,575**	**316,055**	**153,465**	**13,085**	**4,373,672**	**8,477,362**

Ifitalia, for the Exposures in the corporate portfolio, uses the external ratings of the following ECAI:

	1	2	3	4	5	6
CERVED	A1.1, A1.2, A.1.3	A.2.1, A.2.2, A.3.1	B.1.1, B.1.2	B.2.1, B.2.2	C.1.1	C.1.2, C.2.1

7.2 Distribution of financial assets, commitments to grant funds and financial guarantees given by internal rating class (gross values)

There were no amounts in this section.

8. Financial and non-financial assets obtained through the enforcement of guarantees received

There were no amounts in this section.

9. Lending concentration

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

(thousands of €)

Exposure types/Balances	Public administration		Financial companies and banks		Financial istitutions (of which: other insurance corporations)		Non financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. CASH EXPOSURES										
A.1 Doubtful loans	10,692	(4,001)		(1,646)			50,043	(230,099)	513	(7,506)
-of which forborne exposures	1,867	(12)					699	(15,526)	80	(788)
A.2 Unlikely to pay	8,854	(38)	19	-			44,562	(46,003)	1,707	(3,087)
-of which forborne exposures	302	(4)					9,061	(3,659)	183	(175)
A.3 Impaired past due positions	19,636	(2,015)	692	(1)			5,532	(361)	15	(4)
-of which forborne exposures										
A.4 Performing exposures	1,504,982	(84)	84,093	(177)	2,438		5,951,238	(10,426)	64,603	(206)
-of which forborne exposures	312	(1)	-	-	-		581	(3)	54	-
TOTAL A	**1,544,164**	**- 6,138**	**84,804**	**- 1,824**	**2,438**	**-**	**6,051,375**	**- 286,889**	**66,838**	**- 10,803**
B. OFF BALANCE SHEET EXPOSURES										
B.1 Impaired assets	-	-		-	-	-	24,066	(1,271)	36	(12)
B.2 Performing assets	18		8,299	-	3		384,814	(332)	5,646	- 32
TOTALEB	**18**	**-**	**8,299**	**-**	**3**	**-**	**408,880**	**- 1,603**	**5,682**	**- 44**
TOTAL (A+B) (31.12.2018)	**1,544,182**	**- 6,138**	**93,103**	**- 1,824**	**2,441**	**-**	**6,460,255**	**- 288,492**	**72,520**	**- 10,847**

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

(thousands of €)

	Exposure types/Balances	North-West		North-East		Centre		South and Islands	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**CASH EXPOSURES**								
A.1	Non performing	12,090	(66,377)	6,918	(35,883)	21,089	(67,214)	20,850	(70,463)
A.2	Unlikely to pay	7,982	(11,384)	3,112	(4,392)	21,513	(17,019)	19,211	(13,471)
A.3	Past due positions	5,148	(34)	372	(11)	5,844	(62)	14,481	(2,266)
A.4	Performing positions	2,097,377	(2,782)	1,113,556	(969)	2,406,567	(4,756)	690,622	(877)
	TOTAL (A)	**2,122,597**	**- 80,577**	**1,123,958**	**- 41,255**	**2,455,013**	**- 89,051**	**745,164**	**- 87,077**
B.	**OFF BALANCE SHEET EXPOSURES**								
B.1	Impaired assets	23,851	- 1,214	146	- 37	41	- 12	65	- 20
B.2	Performing positions	297,653	(158)	45,697	- 80	33,178	- 51	20,305	- 70
	TOTAL (B)	**321,504**	**- 1,372**	**45,843**	**- 117**	**33,219**	**- 63**	**20,370**	**- 90**
	TOTAL (A + B) (31/12/2018)	**2,444,101**	**- 81,949**	**1,169,801**	**- 41,372**	**2,488,232**	**- 89,114**	**765,534**	**- 87,167**

9.3 Significant exposures

(thousands of €)

	SIGNIFICANT EXPOSURES	Book value	Weighted value
a	Amount	3,317,402	1,767,680
b	Number	21	21

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

The company does not use internal models for gauging credit risk.

11. Other quantitative information

Not applicable to the company.

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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	16	-	612	11,142	208,738	**220,508**
4. Due from customers	85,622	88,407	74,618	1,396,962	5,515,086	**7,160,695**
7. Financial assets at fair value						
8. Disposal financial assets	-					-
Total 31/12/17	85,638	88,407	75,230	1,408,104	5,723,824	7,381,203

(thousands of €)

Portfolios/quality	Low creditwhorthness assets		Other assets
	Capital Losses Cumulative	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total (2017)			

Credit exposures

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	6,170	805	653	281,637	X	(203,644)	X	85,621
-of which forborne exposures	1,860	-	-	15,084	X	(13,258)	X	3,686
b) Unlikely to pay	7,329	1,052	21,909	120,612	X	(62,494)	X	88,408
-of which forborne exposures	2,131	152	3,702	5,761	X	(4,129)	X	7,617
c) Past due positions	-	36,018	40,954	-	X	(2,354)	X	74,618
-of which forborne exposures	-	-	-	-	X	-	X	-
d) Performing Past due positions	X	X	X	X	1,396,962	X	(1,829)	1,395,133
-of which forborne exposures	X	X	X	X	-	X	-	-
e) Other Assets	X	X	X	X	5,520,652	X	(3,737)	5,516,915
-of which forborne exposures	X	X	X	X	538	X	(2)	536
TOTAL A	**13,499**	**37,875**	**63,516**	**402,249**	**6,917,614**	**(268,492)**	**(5,566)**	**7,160,695**
OFF BALANCE SHEET EXPOSURES								
a) Impaired assets	-	210	36	25,214	X	(77)	X	25,384
b) Performing assets	X	X	X	X	328,049	X	(1,454)	326,595
TOTAL B	**-**	**210**	**36**	**25,214**	**328,049**	**(77)**	**(1,454)**	**351,979**
TOTAL (A+)B	**13,499**	**38,085**	**63,552**	**427,463**	**7,245,663**	**(268,569)**	**(7,020)**	**7,512,674**

(thousands of €)

Credit exposures to customers - Performing assets	
Maturity	Performing Past due exposures
past due up to 3 months	1,068,961
past due 3 to 6 months	57,900
past due 6 months to 1 year	47,038
past due beyond 1 year	223,063
TOTAL	**1,396,962**

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

(thousands of €)

Exposure types/Balances	Gross exposure					Specific value adjustments	Portfolio value	Net exposure
	Impaired assets							
	Up to 3 months	3 to 6 months	6 months to 1 year	beyond 1 year	Performing assets			
A CASH EXPOSURES								
a) Non-performing	-	-	-	1,711	X	(1,695)	X	16
-of which forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
-of which forborne exposures	-	-	-	-	X	-	X	-
c) Past due positions	-	-	612	-	X	-	X	612
-of which forborne exposures	-	-	-	-	X	-	X	-
d) Performing Past due positions	X	X	X	X	11,142	X		11,142
-of which forborne exposures	X	X	X	X	-	X		-
e) Other Assets	X	X	X	X	208,738	X		208,738
-of which forborne exposures	X	X	X	X	-	X		-
TOTAL A	**-**	**-**	**612**	**1,711**	**219,880**	**(1,695)**	**-**	**220,508**
OFF BALANCE SHEET EXPOSURES								
a) Impaired assets	-				X		X	-
b) Performing assets	X	X	X	X	10,088	X	-	10,088
TOTAL B	**-**	**-**	**-**	**-**	**10,088**	**-**	**-**	**10,088**
TOTAL (A+)B	**-**	**-**	**612**	**1,711**	**229,968**	**(1,695)**	**-**	**230,596**

Classification of exposures based on external and internal ratings

Distribution of cash and "off-balance sheet" 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			**1,485,527**				**5,988,621**	**7,474,148**
B. Derivatives								**-**
B.1 Financial derivatives								**-**
B.2 Derivatives on receivables								**-**
C. Guarantees given			10,097				132,311	**142,408**
D. Commitments to grant funds							221,190	**221,190**
E. Other								**-**
TOTAL	**-**	**-**	**1,495,624**	**-**	**-**	**-**	**6,342,122**	**7,837,746**

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 31/12/17
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

Distribution of cash and "off-balance sheet" exposures by internal 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			**1,485,527**				**5,988,621**	**7,474,148**
B. Derivatives								**-**
B.1 Financial derivatives								**-**
B.2 Derivatives on receivables								**-**
C. Guarantees given			10,097				132,311	**142,408**
D. Commitments to grant funds							221,190	**221,190**
E. Other								**-**
TOTAL	**-**	**-**	**1,495,624**	**-**	**-**	**-**	**6,342,122**	**7,837,746**

Lending concentration

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

(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	11,767	(3,799)	X	**7,968**	267,510	(192,274)	X	**75,236**	1,711	(1,695)	X	**16**
-of which forborne exposures	1,860	(14)	X	**1,846**	14,094	(12,344)	X	**1,750**	-	-	X	**-**
A.2 Unlikely to pay	11,474	(19)	X	**11,455**	128,945	(57,087)	X	**71,858**	-	-	X	**-**
-of which forborne exposures	649	-	X	**649**	10,293	(3,784)	X	**6,509**	-	-	X	**-**
A.3 Past due positions	48,168	(2,000)	X	**46,168**	28,386	(300)	X	**28,086**	612	-	X	**612**
-of which forborne exposures	-	-	X	**-**	-	-	X	**-**	-	-	X	**-**
A.4 Other Assets	1,462,593	X	-	**1,462,593**	5,313,431	X	(5,508)	**5,307,923**	219,880	X	-	**219,880**
-of which forborne exposures	-	X	-	**-**	497	X	(2)	**495**	-	X	-	**-**
TOTAL	**1,534,002**	**(5,818)**	**-**	**1,528,184**	**5,738,272**	**(249,661)**	**(5,508)**	**5,483,103**	**222,203**	**(1,695)**	**-**	**220,508**

(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	8,746	(7,420)	X	**1,326**	1,242	(151)	X	**1,091**	**290,976**	**(205,339)**	X	**85,637**
-of which forborne exposures	991	(899)	X	**92**	-	-	X	**-**	**16,945**	**(13,257)**	X	**3,688**
A.2 Unlikely to pay	8,051	(4,381)	X	**3,670**	2,432	(1,007)	X	**1,425**	**150,902**	**(62,494)**	X	**88,408**
-of which forborne exposures	803	(346)	X	**457**	-	-	X	**-**	**11,745**	**(4,130)**	X	**7,615**
A.3 Past due positions	274	(54)	X	**220**	144	-	X	**144**	**77,584**	**(2,354)**	X	**75,230**
-of which forborne exposures	-	-	X	**-**	-	-	X	**-**	**-**	**-**	X	**-**
A.4 Other Assets	126,809	X	(57)	**126,752**	14,780	X	-	**14,780**	**7,137,493**	X	**(5,565)**	**7,131,928**
-of which forborne exposures	41	X	-	**41**	-	X	-	**-**	**538**	X	**(2)**	**536**
TOTAL	**143,880**	**(11,855)**	**(57)**	**131,968**	**18,598**	**(1,158)**	**-**	**17,440**	**7,656,955**	**(270,187)**	**(5,565)**	**7,381,203**

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	**-**	25,184	(29)	X	**25,156**	-		X	**-**
A.3 Non Performing assets			X	**-**	222	(37)	X	**185**			X	**-**
A.4 Other assets	39	X		**39**	320,866	X	(214)	**320,652**	10,113	X		**10,113**
TOTAL	**39**	**-**	**-**	**39**	**346,272**	**(66)**	**(214)**	**345,992**	**10,113**	**-**	**-**	**10,113**

(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	30	(7)	X	**23**			X	**-**	**25,214**	**(35)**	X	**25,179**
A.3 Non Performing assets	25	(5)	X	**20**			X	**-**	**247**	**(42)**	X	**205**
A.4 Other assets	6,996	X	(39)	**6,957**	122	X		**122**	**338,137**	X	(254)	**337,883**
TOTAL	**7,052**	**(12)**	**(39)**	**7,001**	**122**	**-**	**-**	**122**	**363,598**	**(77)**	**(254)**	**363,267**

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

(thousands of €)

	Geographic distribution					
	North-West	North-East	Centre	South and Islands	Other countries	Total
Receivables						
A1 Non-performing	15,381	10,033	33,676	26,289	258	**85,637**
A2 Unlikely to pay	22,210	5,898	27,359	27,907	5,034	**88,408**
A3 Past due positions	4,439	718	36,277	24,156	9,640	**75,230**
A4 Other assets	2,114,521	975,612	2,198,710	719,861	1,123,224	**7,131,928**
TOTAL A	**2,156,551**	**992,261**	**2,296,022**	**798,213**	**1,138,156**	**7,381,203**

Off balance sheet exposures

(thousands of €)

	Geographic distribution					
	North-West	North-East	Centre	South and Islands	Other countries	Total
Off balance sheet exposures						
A1 Non-performing	-	-	-	-	-	
A2 Unlikely to pay	25,018	9	99	89	-	**25,214**
A3 Past due positions	70	29	6	142	-	**247**
A4 Other assets	239,935	42,298	32,574	21,285	2,045	**338,137**
TOTAL B	**265,022**	**42,336**	**32,680**	**21,515**	**2,045**	**363,598**

Significant exposures

(thousands of €)

Significant exposures		Book value	Weighted value
a	Amount	2,390,966	1,027,866
b	Total number of shares	11	11

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: Qualitative Information, in paragraph 2.2 "*Management, measurement and control systems*".

5. Other quantitative information

There were no amounts in this section.

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

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 assets and liabilities.

QUANTITATIVE INFORMATION

Given that all funding is currently provided to the company by the Parent Company, the mismatch by maturity bracket with respect to the amount of the funding is marginal as at 31 December 2018.

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

Currency: euro *(thousand of €)*

Item/residual life	On demand	Until 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 year to 10 years	Beyond 10 years	Unspecified life
1. Assets	**1,507,111**	**4,579,141**	**576,721**	**303,447**	**108,637**	**11,006**	**-**	**328,100**
1.1 Debt securities								
1.2 Loans	1,507,111	4,579,141	576,721	303,447	108,637	11,006	-	322,920
1.3 Other assets								5,181
2. Liabilities	**266,293**	**6,231,971**	**47,177**	**1,091**	**57,445**	**-**	**-**	**378,692**
2.1 Payables	203,089	5,981,495	14,627	781	57,445	-	-	378,692
2.2 Securities issued	63,204	250,476	32,550	310				
2.3 Other liabilities								
3. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**142**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	142
3.1 Long positions								142
3.2 Short positions								

Currency: other currencies *(thousand of €)*

Item/residual life	On demand	Until 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 year to 10 years	Beyond 10 years	Unspecified life
1. Assets	**31,059**	**296,869**	**7,113**	**2,681**	**791**	**-**	**-**	**-**
1.1 Debt securities								
1.2 Loans	31,059	296,869	7,113	2,681	791			
1.3 Other assets								
2. Liabilities	**198,759**	**131,595**	**2,979**	**-**	**-**	**-**	**-**	**-**
2.1 Payables	198,759	131,595	2,979					
2.2 Securities issued								
2.3 Other liabilities								
3. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								

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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 interest rate risk is that indicated in the provisions contained in Bank of Italy Circular no. 288, whose model is based on the principle of a 200 bp shock.
At the end of 2018, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 9.5 million, equal to 1.43% of the supervisory capital, below the 20% threshold.

3. Other quantitative information on interest rate risk
There were no amounts in this section.

3.2.2 PRICE RISK
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

QUALITATIVE INFORMATION

1. General aspects
Exchange risk is negligible within the scope of core business activities, since all assets acquired are consistently assisted by identical liabilities in the same currency and with the same duration features.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(thousand of €)

Items		Currency					
		USA dollars	Pounds	Yen	Canadian dollars	Swiss franc	Other currencies
1.	**Financial assets**	288,562	**12,717**	**-**	**1,894**	**50**	**45,976**
1.1	Debt securities	-	-	-	-	-	-
1.2	Capital securities	-	-	-	-	-	-
1.3	Loans	288,562	12,717	-	1,894	50	45,976
1.4	Other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**287,869**	**12,639**	-	1,890	50	**45,903**
3.1	Payables	287,869	12,639	-	1,890	50	45,903
3.2	Debt securities	-	-	-	-	-	-
3.3	Other financial liabilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	Long position	-	-	-	-	-	-
5.2	Short position	-	-	-	-	-	-
	Total assets	288,562	12,717	-	1,894	50	45,976
	Total liabilities	287,869	12,639	-	1,890	50	45,903
	Imbalance (-/+)	693	78	-	4	-	73

2. Models and other methods for gauging and handling the exchange risk
As stated above, exchange risk is negligible, since all assets acquired are consistently assisted by identical liabilities in the same currency and with the same duration features.

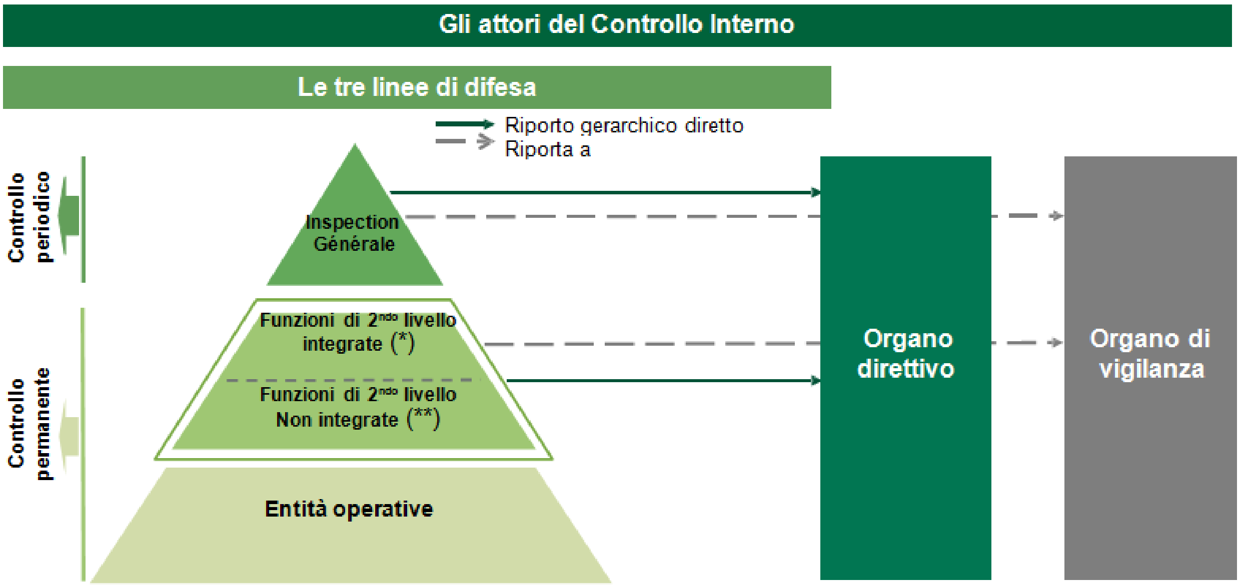
3. Other quantitative information on exchange risk
There were no amounts in this section.

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

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

The control model defined by the BNP Paribas group divides the tasks in the Operational Risk area between the first and second lines of defence, as summarised below.



(*) Compliance, LEGAL, RISK
(**) Group Tax and Group Finance for the purposes of organisational responsibilities and supervision of the risk management framework for accounting and financial reporting

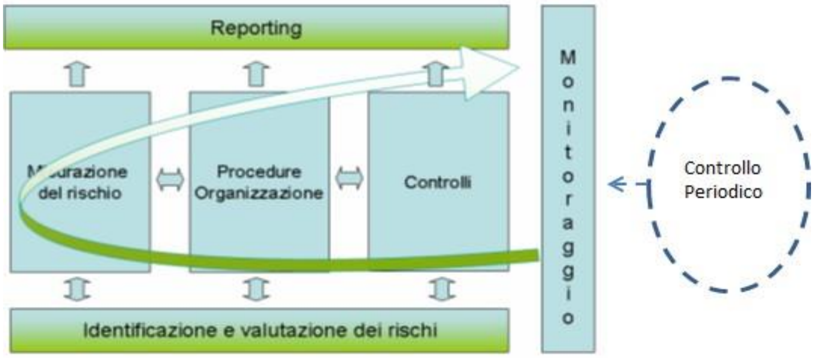
The distinction, which is already in place but has been clearly operational since 2018, gives a general supervisory role to the Risk Division (RISK in the synthetic nomenclature of the BNP Paribas Group) which is part of the second level control functions (second line of defence) with a special reference to operational risk; the first level is represented by the operating functions (entities) that carry out the activities and by the OPC structure that carries out the role of permanent first level control (first line of defence). OPC is represented by the Operational Risk and Permanent Controls Department.

The permanent controls of the first line of defence are entrusted to a structure called **"Operational Permanent Control" / OPC**, in Ifitalia consisting of personnel independent of the operating functions that are responsible for:

- identifying and assessing the risks to which the assets are exposed;
- defining adequate control methods and ensuring their execution;
- identifying and implementing risk mitigation actions.

The **permanent control system** implements continuous risk management and monitoring actions of the actual implementation of strategic actions. It is based on control policies, procedures and plans and materialises in organisational choices, controls and governance.

The diagram below represents the overall breakdown of the components of the permanent monitoring device:



Within the Ifitalia internal control framework, the follow-up of corrective actions resulting from audit missions carried out by Inspection Générale is the responsibility of the Operational Risk and Permanent Controls Department, due to its proximity to operational processes, with periodic reporting of its results to the RISK function as the second line of defence. Inspection Générale is responsible for the final decision on the correct implementation of the corrective action resulting from the issue of specific recommendations.
OPC oversees the operational risk management system in coordination with the Head of the Risk Division through the latter's second line of defence, RISK ORC (RISK Operational Risk & Controls).

The supervision, management and monitoring activities (also with reference to the ICAAP process) are carried out by the Operational Risks and Permanent Controls Department in accordance with the operational risk governance model defined by the Parent Company BNP Paribas. This Structure is part of the Operational Management Division. The complementariness of the "Operational Risks" and "Permanent Controls" areas carries out its synergistic action in the identification, assessment and monitoring phase of the actual risk (the risk that takes into account the coverage of the procedures and the effectiveness of the controls) and in the definition phase of the corrective actions and the relative priorities, following the adoption of shared and common metrics and measurements. The staff of the Unit, who do not participate in specific operating activities of the other departments, are dedicated to executing Permanent Controls according to the formalities and the deadlines defined in the Plan of Controls and prepared “day by day” operational disclosure on the checks carried out, emerging issues, and any mitigation activities carried out. This information is sent to the operational management (Head of the Units).

The Risk Division (RISK function), in line with the guidelines of the BNP Paribas Group, is responsible for organising and supervising the global risk management system to which Ifitalia is exposed and, more specifically, the following risks: credit, dilution, counterparty, market, financing and liquidity, interest rate and exchange rate in the banking book, insurance and operational. The RISK manager is also responsible for the Permanent control and for the consistency and operation of the RISK manager in accordance with the Group's permanent control device.
In this way, RISK guarantees Ifitalia a single and integrated view of the various types of risk.
Risk control in the second line of defence is implemented by several functions operating in different fields. With regard to operational risk within the remit of the RISK function, the second line of defence is implemented by *RISK ORC.* The Operational Risk and Permanent Controls Department (OPC) operates based on the guidelines defined by RISK ORC and coordinates with it.
The risk control function in the second line of defence is implemented by second lines of defence that operate in several areas where, *with reference to operational risk*, it is implemented by RISK ORC to which the Operational Risk and Permanent Control Coordinator (OPC) reports functionally and through participation in the inter-functional committees envisaged by the pro tempore Company Regulations in force;
Also with regard to 2018, the organisation was completed by:

- Risk Monitoring Committee - Permanent Control Operational Risk Session that, 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 risks, prepared by the responsible divisions;

- providing a global, organic vision of the permanent control and operational risk system;
- analysing and acquiring collective decisions on the permanent control and operational risk framework;
- generating an alarm and escalation level on recurring critical issues;
- determining the involvement of the operational Organisations responsible for managing these issues and activating the monitoring of mitigating actions.

Committee meetings, organised by RISK ORC since the last quarter of 2018, are attended by the Heads of the Company Divisions identified, for each session, in relation to the topics discussed and to their respective responsibilities. Moreover, the Contact Persons for Essential Outsourced Services and the relevant BNL SpA functions (Compliance and RISK ORCS Division to the extent of their authority) and BNL Spa - Inspection Générale Hub Italy participate as a permanent guest.

- Finance Division, which is responsible for ensuring that incidents generating a significant financial impact are appropriately reported in the Company's financial documents; this Division also worked with the Operational Risks and Permanent Control Unit to perform an accounting reconciliation of operating incidents. It is also responsible for calculating the capital requirements to be established in relation to the operational risks.

Method

Management of operational risk, in the definition adopted by BNP Paribas, is based on an alignment of cause analysis (internal process or external fact), event (incident), and effect (risk of economic loss). In particular, the BNP Group defined as an incident a real event that has actually taken place, of which it is possible to effectively describe the real causes and consequences, as well as to measure its economic impacts. 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.

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

- Loss Data Collection Process: activities for the identification, entry, and registration of historic incidents of Operational Risk through input to the BNP FORECAST Group tool. The FORECAST (Full Operational Risk & Control Analysis System) management system is the IT platform used by the companies of BNP Paribas Group to record historic incidents, the related recognised, estimated, or potential losses, any amounts collected as a result of insurance or by other means that occur within 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 a self-assessment process to identify, classify, and measure in advance the risks which business operations are potentially exposed to and as such, is a managerial operating tool useful for planning 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;
- Issue Resolution 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). These activities are carried out according to two different operating methods: definition of short-term corrective actions and structuring of medium/long-term action plans; starting from the last quarter of 2018, actions to correct the most significant critical points identified by the controls/incident analysis were gradually introduced through the Aurora application in order to give greater visibility to management and the Group on findings and corrective actions;
- 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", contains the outcomes of the permanent controls and the results of the Loss Data Collection process. A section of the report contains any mitigation action adopted and the related status of activities.

QUANTITATIVE INFORMATION

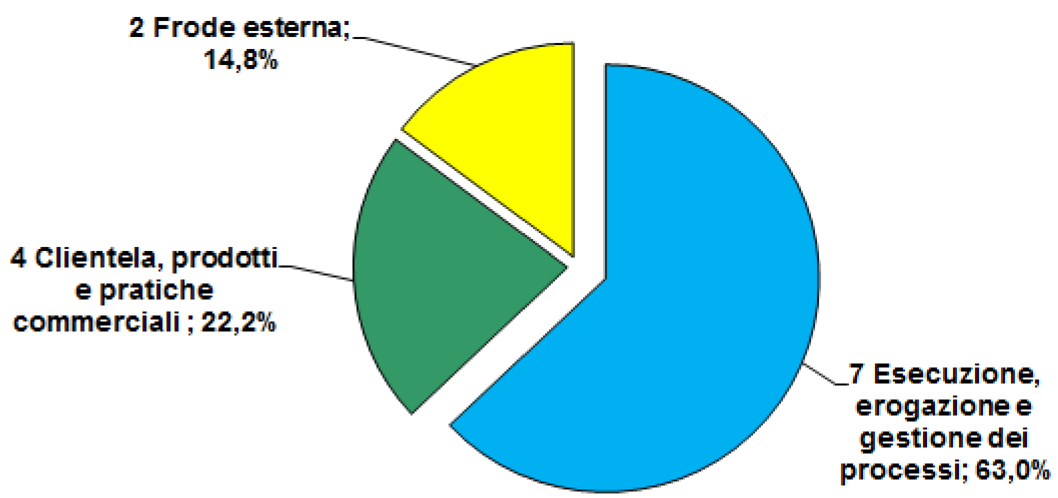
<u>Assessment of the main sources and nature of risk events</u>

The breakdown by percentage of operational risk events recorded in 2018 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. In 2018, 25 risk events 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 63% of the total number of events occurred in 2018 (versus 64% in 2017);

- **phenomena related to customers, 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 22.2% of the total events occurred in 2018 (versus 16% in 2017);
- **phenomena related to external frauds (ET 2):** these are events due to fraud, embezzlement or violation of laws by persons outside the Company and account for 14.8% of the total events in 2018 (versus 8% in 2017).

Percentage composition by each type of event:



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	Within 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**1,448,326**	**-**	**-**	**1,773,893**	**2,167,834**	**981,193**	**479,623**	**223,111**	**11,769**	**328,101**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	1,448,326			1,773,893	2,167,834	981,193	479,623	223,111	11,769	322,920
A.4	Other assets										5,181
	Cash liabilities	**146,056**	**1,005,169**	**1,024,433**	**1,597,238**	**535,393**	**390,922**	**1,500,781**	**57,445**	**-**	**378,692**
B.1	Deposits and current accounts	146,056	1,005,169	1,024,433	1,597,238	535,393	390,922	1,500,781	57,445	-	378,692
	- Banks	89,019	1,001,424	1,018,492	1,516,080	400,001	358,374	1,500,451	57,445		62,895
	- Financial institutions	57,037	3,745	5,941	81,158	135,392	32,548	330			
	- Customers										315,797
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**1,296**	**-**	**-**	**-**	**-**	**2,802**	**-**	**4,193**	**-**	**413,469**
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	-	-	-	-	-	-	-	-	-	267,231
	- Long positions										
	- Short positions										267,231
C.5.	Financial guarantees issued	1,296	-	-	-	-	2,802	-	4,193	-	146,238
C.6	Financial guarantees received										

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

Other currencies *(thousands of €)*

	Items/Timeframe	On demand	Within 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**29,802**	**-**	**-**	**139,815**	**120,127**	**38,046**	**9,873**	**850**	**-**	**-**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	29,802			139,815	120,127	38,046	9,873	850		
A.4	Other assets										
	Cash liabilities	**192,591**	**52,202**	**14,043**	**38,173**	**33,346**	**2,979**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	192,591	52,202	14,043	38,173	33,346	2,979	-	-	-	-
	- Banks	186,423	52,202	12,128	26,521	22,705	2,979				
	- Financial institutions	6,168		1,915	11,652	10,641					
	- Customers										
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,767**
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 issued										2,767
C.6	Financial guarantees received										

3.5 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

There were no amounts in this section.

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 for this purpose is determined based on the current provisions envisaged by the Bank of Italy and represents the reference oversight for prudential supervisory provisions.
In accordance with said provisions, the Company is obliged to maintain a comprehensive capital requirement, which is calculated as the sum of the requirements relating to the single risk types (known as "building block").

4.1.2 Quantitative information

4.1.2.1 Company equity: breakdown

The Company's equity as at 31 December 2018 amounted to EUR 711,048 thousand.

(thousands of €)

Items/Balances	Total 31/12/2018	Total 31/12/2017
1. Share capital	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	555,288	539,690
- profit	562,317	528,117
a) legal reserve	11,180	11,180
b) statutory reserve	551,137	516,937
c) treasury shares	-	-
d) other	-	-
- other	(7,029)	11,573
4. (Treasury shares)	-	-
5. Valuation reserves	4,960	8,177
- Equity instruments measured at fair value through other comprehensive income	-	
- Hedging of equity instruments measured at fair value through other comprehensive income	-	
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	-	
- Financial assets available for sale		3,322
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging instruments (elements not designated)	-	
- Exchange differences	-	-
- Non current assets and disposal group held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness)	-	
- Special revaluation laws	5,870	5,870
- Actuarial gains (losses) relating to defined benefit pension plans	(910)	(1,015)
- Quote of the valuation reserves relating at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	33,101	34,200
Total	**711,048**	**699,766**

4.1.2.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown
There were no amounts in this section.

4.1.2.3 Valuation reserves of financial assets at fair value through other comprehensive income: changes during the year
There were no amounts in this section.

2017 FINANCIAL YEAR

Valuation reserves of available-for-sale financial assets: breakdown

Items/Balances	2017	
	Positive reserve	Negative reserve
1 Debt securities	-	-
2 Equity investments	3,322	-
3 UCI units	-	-
4 Loans	-	-
Total	**3,322**	**-**

Valuation reserves of available-for-sale financial assets: changes during the year

(thousands of €)

		Debt securities	Equity investments	UCI units	Loans
1.	**Opening balances**	**-**	**3,741**	**-**	**-**
2.	**Increases**	**-**	**-**	**-**	**-**
2.1	Positive fair value changes	-	-	-	-
2.2		-	-	-	-
			-	-	-
		-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**-**	**(420)**	**-**	**-**
3.1	Negative fair value changes	-	(420)		-
3.2			-		-
3.3		-	-		-
3.4	Other decreases	-	-		-
4.	**Closing balances**	**-**	**3,322**	**-**	**-**

4.2 Own Funds and supervisory ratios

4.2.1 Own Funds

With the recent reform of Title V of the Consolidated Banking Law, which came into force on 11 July 2015, financial intermediaries 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 (known as "consolidated register", as amended by Italian Legislative Decree no. 141/2010).

These intermediaries are subject to a prudential supervisory regime equivalent to that of the banks, aimed at pursuing objectives of financial stability and safeguarding 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. The quantitative information on supervisory capital and risk assets presented below has been calculated based on instructions issued to take into account the application of IAS/IFRS accounting standards ("Prudential Filters" discipline).

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. For this purpose, 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 combines 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 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 was 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 that can be calculated in or deducted fully from Common Equity on full application impacted Common Equity Tier 1 only by a percentage. Usually the residual percentage in relation to that applicable was 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 €)

	Totale al 31/12/2018	Totale al 31/12/2017
A. Tier 1 capital ((Common Equity Tier 1) before application of prudential filters	**667,427**	**655,580**
B. Prudential filters applied to tier 1 capital :	170	(277)
B.1 Positive prudential filters IAS/IFRS (+)	170	
B.2 Negative prudential filters IAS/IFRS (-)		(277)
C. Tier 1 capital gross of elements to be deducted (A+B)	**667,597**	**655,303**
D. Elements to be deducted from Tier 1 capital		
E. Tier 1 capital (C-D)	**667,597**	**655,303**
F. Additional Tier 1 capital (Additional Tier 1 - AT1) before application of prudential filters		
G. Filtri prudenziali del patrimonio supplementare:	-	332
G.1 Positive prudential filters IAS/IFRS (+)		332
G.1 Negative prudential filters IAS/IFRS (-)		
H. Additional Tier 1 capital (Additional Tier 1 - AT1) gross of elements to be deducted (F+G)	**-**	**332**
I. Elements to be deducted from Additional Tier 1 capital		
L. Total Tier 2 (TIER 2) (H-I)	**-**	**332**
M. Elements to be deducted of T1 and T2		
N. Regulatory Capital (E+L-M)	**667,597**	**655,635**
O. Third level capital (TIER 3)		
P. Regulatori Capital included TIER 3 (N+O)	**667,597**	**655,635**

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 2018, the company's capitalisation level was in line with the requirements:

- CET 1 and Tier 1 capital ratios equal 11.21%;
- Total capital ratio came to 11.21%.

(thousands of €)

Categories/Balances	Unweighted amounts		Weighted amounts / requirements	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
A. RISK ASSETS				
A.1 Credit and counterpart risk	8,107,384	7,680,296	5,698,094	6,453,803
B. SUPERVISORY CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk			**341,817**	**387,151**
B.2 Payment services requirement			**-**	**-**
B.3 Issuance of electronic money requirement			**-**	**-**
B.4 Specific prudential requiraments			**15,399**	**43,714**
B.5 Total prudential requirements			**357,216**	**430,865**
C. RISK ASSETS AND SUPERVISORY RATIOS				
C1 Risk-weighted assets			**5,954,794**	**7,182,512**
C2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**11.21%**	**9.12%**
C3 Capital/Risk-weighted assets (Total capital ratio)			**11.21%**	**9.13%**

SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

(thousands of €)

	ITEMS	Total (2018)	Total (2017)
10.	**Profit (Loss) for the year**	33,101	34,200
	Other income components without reversal to income statement connected with:		
20.	Equity instruments measured at fair value through other comprehensive income:	-	
	a) fair value changes		
	b) transfer to other components of equity		
30.	Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness):	-	
	a) fair value changes		
	b) transfer to other components of equity		
40.	Hedging of equity instruments designated at fair value through other comprehensive income:	-	
	a) fair value changes (hedge instrument)		
	b) fair value changes (hedging instrument)		
50.	Property, plant and equipment		-
60.	Intangible assets		-
70.	Defined benefit plans	145	(142)
80.	Non current assets held for sale		-
90.	Share of reserves from valuation of investments carried at equity		-
100.	Income taxes relating at other income components without reversal to profit or loss		-
	Other income components with reversal to income statement connected with:		
110.	Hedging of foreign investments:	-	-
	a) fair value changes		-
	b) transfer to income statement		-
	c) other changes		-
120.	Exchange differences:	-	-
	a) value changes		-
	b) transfer to income statement		-
	c) other changes		-
130.	Cash flows hedges:	-	-
	a) fair value changes		-
	b) transfer to income statement		-
	c) other changes		-
	of which: result of net positions		-
140.	Hedging instruments (elements not designated):	-	-
	a) value changes		-
	b) transfer to income statement		-
	c) other changes		-
150.	Financial assets (other then equity securities) at fair value through other comprehensive income:	-	-
	a) fair value changes		-
	b) transfer to income statement	-	-
	- adjustments from impairment		-
	- profit/ loss from realisation		-
	c) Other changes		-
	Financial assets available for sale:		(451)
	a) fair value changes		-
	b) transfer to income statement		-
	- adjustments from impairment		-
	- profit/ loss from realisation		-
	c) Other changes		(451)
160.	Non current assets and disposal groups held for sale:	-	-
	a) fair value changes		-
	b) transfer to income statement		-
	c) other changes		-
170.	Share of reserves from valuation of investments carried at equity	-	-
	a) fair value changes		-
	b) transfer to income statement	-	-
	- adjustments from impairment		-
	- profit/ loss from realisation		-
	c) Other changes		-
180.	Income taxes relating at other income components withreversal to profit or loss	(40)	**71**
190.	**Total other income components**	**105**	**(522)**
200.	**Comprehensive income (Item 10+190)**	**33,206**	**33,678**

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
Directors	46	46
Auditors	97	100
Total	**143**	**146**

6.2 Loans and guarantees given in favour of directors and statutory auditors

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
Directors		-
Auditors		-
Total	**-**	**-**

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”.

Income statement transactions for the period and balance sheet balances as at 31 December 2018 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of €)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**8,387**	**5,710,287**	**30**	**210,899**	**-**	**-**
BNP PARIBAS PARIS	8,387	5,709,351	30	210,899		
BNP PARIBAS SUCC. MILANO		936				
B) BNPP GROUP COMPANIES	**233**	**895,345**	**71,181**	**145,313**	**8,290**	**142**
ARTIGIANCASSA SPA			8			142
ARVAL SERVICE LEASE		180				
ARVAL SERVICE LEASE ITALIA SPA		319	60,533			
AXEPTA SPA (EX- BNL POSITIVITY SRL)	(9)		44			
BANCA NAZIONALE DEL LAVORO SPA	191	545,816	8,690	145,313	8,290	
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA			1			
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA	(2)					
BNPP FACTOR		263	253			
BNPP FORTIS	3	397				
BNPP REAL ESTATE		31	2			
BUSINESS PARTNER ITALIA SCPA	50	1,589	8			
CARDIF ASSURANCES RISQUES DIVERS			44			
CNH INDUSTRIAL CAPITAL EUROPE			13			
FINDOMESTIC BANCA SPA			1,579			
SERFACTORING SPA		222				
TIERRE SECURITISATION SRL		346,528				
TURK EKONOMI BANKASI AS			2			
C) ASSOCIATED COMPANIES	**(2)**	**42**	**-**	**-**	**-**	**-**
INTERNATIONAL TRADE PARTNER		42				
BNP PARIBAS SGR SPA	(2)					
	8,618	**6,605,674**	**71,211**	**356,212**	**8,290**	**142**

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

(thousands of €)

Counterpart	Interest and similar income	Interest and similar expense	Commission income	Commission expense	Dividends	Derivatives	Administrative expenses	Other operating income and charges
A) PARENT COMPANY	11,159	(532)	-	(775)	-	-	(936)	-
B) ASSOCIATED COMPANIES	77	(5,718)	157	(4,174)	-	90	(15,997)	(351)
C) OTHER								
Total	**11,236**	**(6,250)**	**157**	**(4,949)**	**-**	**90**	**(16,933)**	**(351)**

SECTION 7 – OTHER DISCLOSURE

7.1 Contributions received from the Public Administration

Disclosure on public funding pursuant to Article 1, paragraph 125 of Italian Law no. 124 of 4 August 2017 ("Annual Law on market and competition")

In particular, this law envisages that companies must provide in the notes to the accounts as at 31 December 2018 - and in consolidated notes to the accounts, if any - information relating to "grants, contributions, paid assignments and any kind of economic advantages" (hereinafter referred to as "public grants") received from public administrations and other entities referred to in Article 1, paragraph 125 of the said law. Failure to comply with the legal requirement of publication will result in the return of the sums received to the paying agents. In order to avoid the accumulation of irrelevant information, the legal requirement of publication does not exist if the amount of public funds received is below the threshold of EUR 10,000. Despite the clarifications provided by the Council of State in its opinion no. 1149 of 1 June 2018, the law in question presents some doubts as to its interpretation and application, with a special reference to the objective scope of application, for which reference was also made to the guidelines that emerged from trade associations (Assonime). In particular, taking into account the criteria that were the basis of the law and the guidelines that have emerged, the disclosure requirements should not include the following cases:

- fees for services rendered by the company in the course of professional services and supplies or of any other task forming part of the normal course of business. These are amounts received that do not relate to the field of perks/public support policies;
- tax advantages available to all companies meeting certain conditions based on predetermined general criteria that are also the subject matter of specific declarations;
- granting of subsidised loans to its customers as these are the funds of others (e.g. interest subsidy from the public administration) and not the own funds of the bank that acts as an intermediary.

Moreover, it should be noted that since August 2017, the National State Aid Register has been active at the General Management for Enterprise Incentives of the Ministry of Economic Development, in which State aid and de minimis aid to each company must be published by the entities granting or managing that aid. For individual aid to Ifitalia SpA, please refer to the section on "Register Transparency", which is publicly available on the following website:
https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx
This being stated, in compliance with the provisions of Article 1, paragraph 125, of Italian Law no. 124 of 4 August 2017, the following is evidence of the amounts received in 2018 by Ifitalia SpA as "grants, contributions, paid assignments and, in any case, economic advantages of any kind".

As reported by the national register of State aid, to date Ifitalia requested contributions of EUR 43,864, mainly related to training activities. Moreover, Ifitalia received reimbursements for financed training amounting to EUR 28,110.
It also had contributions in the field of human resources management amounting to EUR 92,192, broken down as follows:

- Contributions for the recruitment/stabilisation of personnel deriving from the application of the National Collective Labour Agreement of Lending in force from time to time of EUR 9,333;
- Contributions for new hires/stabilisations, introduced by the 2018 Stability Law (Law no. 205/2017) of EUR 2,500;
- Contributions for the Ordinary Section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2 of EUR 25,980.27;
- Article 8 of Italian Legislative Decree no. 203 of 30 September 2005, converted, with amendments, by Italian Law no. 248 of 2 December 2005. Compensating measures for companies that contribute the Employment Termination Benefits to supplementary pensions of EUR 54,378.

Financial Statement Data for the Parent Company BNP Paribas

With reference to the matters envisaged by Article 2497-bis, paragraph 4 of the Italian Civil Code, regarding disclosure on 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 2017 by BNP Paribas S.A. in its capacity as direct parent company.

BNP Paribas Group

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

In millions of euros	Notes	Year to 31 Dec. 2017	Year to 31 Dec. 2016
Interest income	2.a	40,785	40,894
Interest expense	2.a	(19,011)	(18,518)
Commission income	2.b	13,231	12,765
Commission expense	2.b	(5,777)	(5,563)
Net gain on financial instruments at fair value through profit or loss	2.c	5,733	6,189
Net gain on available-for-sale financial assets and other financial assets not m easured at fair value		2,338	2,211
Income from other activities	2.e	42,041	36,532
Expense on other activities	2.e	(36,179)	(31,099)
REVENUES		**43,161**	**43,411**
Salary and employee benefit expense	6.a	(16,496)	(16,402)
Other operating expenses	2.f	(11,729)	(11,279)
Depreciation, amortisation and impairment of property, plant and equipment and		(1,719)	(1,697)
GROSS OPERATING INCOME		**13,217**	**14,033**
Cost of risk	2.g	(2,907)	(3,262)
OPERATING INCOME		**10,310**	**10,771**
Share of earnings of equity-method entities	4.m	713	633
Net gain on non-current assets		488	(12)
Goodwill	4.o	(201)	(182)
PRE-TAX INCOME		**11,310**	**11,210**
Corporate income tax	2.h	(3,103)	(3,095)
NET INCOME		**8,207**	**8,115**
Net income attributable to minority interests		448	413
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**7,759**	**7,702**
Basic earnings per share	7.a	6.05	6.00
Diluted earnings per share	7.a	6.05	6.00

BNP Paribas Group

BALANCE SHEET AT 31 DECEMBER 2017

In millions of euros	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and amounts due from central banks		178,446	160,400
Financial instruments at fair value through profit or loss			
Trading securities	4.a	119,452	123,679
Loans and repurchase agreements	4.a	143,558	152,242
Instruments designated as at fair value through profit or loss	4.a	96,932	87,644
Derivative financial instruments	4.a	230,230	328,162
Derivatives used for hedging purposes	4.b	13,756	18,133
Available-for-sale financial assets	4.c	231,975	267,559
Loans and receivables due from credit institutions	4.f	45,670	47,411
Loans and receivables due from customers	4.g	727,675	712,233
Remeasurement adjustment on interest-rate risk hedged portfolios		3,064	4,664
Held-to-maturity financial assets	4.j	4,792	6,100
Current and deferred tax assets	4.k	6,568	7,966
Accrued income and other assets	4.l	107,211	115,967
Equity-method investments	4.m	6,812	6,910
Investment property	4.n	7,065	1,911
Property, plant and equipment	4.n	24,148	22,523
Intangible assets	4.n	3,327	3,239
Goodwill	4.o	9,571	10,216
TOTAL ASSETS		**1,960,252**	**2,076,959**
LIABILITIES			
Due to central banks		1,471	233
Financial instruments at fair value through profit or loss			
Trading securities	4.a	69,313	70,326
Borrowings and repurchase agreements	4.a	172,147	183,206
Instruments designated as at fair value through profit or loss	4.a	53,441	54,076
Derivative financial instruments	4.a	228,019	318,740
Derivatives used for hedging purposes	4.b	15,682	19,626
Due to credit institutions	4.f	76,503	75,660
Due to customers	4.g	766,890	765,953
Debt securities	4.i	148,156	153,422
Remeasurement adjustment on interest-rate risk hedged portfolios		2,372	4,202
Current and deferred tax liabilities	4.k	2,466	3,087
Accrued expenses and other liabilities	4.l	86,135	99,407
Technical reserves of insurance companies	4.p	203,436	193,626
Provisions for contingencies and charges	4.q	11,061	11,801
Subordinated debt	4.i	15,951	18,374
TOTAL LIABILITIES		**1,853,043**	**1,971,739**
CONSOLIDATED EQUITY			
Share capital, additional paid-in capital and retained earnings		*91,094*	*86,794*
Net income for the period attributable to shareholders		*7,759*	*7,702*
Total capital, retained earnings and net income for the period attributable to shareholders		98,853	94,496
Changes in assets and liabilities recognised directly in equity		3,130	6,169
Shareholders' equity		**101,983**	**100,665**
Retained earnings and net income for the period attributable to minority interests		5,352	4,460
Changes in assets and liabilities recognised directly in equity		(126)	95
Total minority interests		**5,226**	**4,555**
TOTAL CONSOLIDATED EQUITY		**107,209**	**105,220**
TOTAL LIABILITIES AND EQUITY		**1,960,252**	**2,076,959**

IFITALIA CONSOLIDATED FINANCIAL STATEMENT

Consolidated financial statements as at 31 December 2018

Mandatory financial statements:

Notes to the accounts:

IFITALIA
GRUPPO BNP PARIBAS

MANDATORY FINANCIAL STATEMENTS

Consolidated Balance Sheet

(euro)

	ASSETS	31/12/2018	31/12/2017
10	Cash and cash equivalents	5,869	8,959
20	Financial assets at fair value through profit or loss:	5,180,892	
	a) financial assets held for trading	-	
	b) financial assets designated at fair value	-	
	c) other financial assets mandatorily measured at fair value	*5,180,892*	
	Financial assets held for trading (former item 20 IAS 39)		
	Financial assets measured at fair value (former item 30 IAS 39)		
30	Financial assets at fair value through other comprehensive income	-	
	Financial assets available for sale (former item 40 IAS 39)	-	5,920,783
40	Financial assets measured at amortised cost:	7,747,495,257	
	a) loans to banks	*22,206,242*	
	b) loans to financial company	*62,912,285*	
	c) loans to customers	*7,662,376,730*	
	Financial assets held to maturity (former item 50 IAS 39)		
	Loans (former item 60 IAS 39)		*7,381,433,048*
50	Hedging derivatives	-	-
60	Change in fair value of portfolio hedged items (+/-)	-	-
70	Equity investments	-	-
80	Property, plant and equipment	20,784,817	20,700,004
90	Intangible assets	10,520,048	9,985,210
	of wich: goodwill	-	
100	Tax assets	63,190,607	54,533,385
	a) current	*14,269,111*	*15,448,437*
	b) deferred	*48,921,496*	*39,084,948*
	of which under Law 214/2011		*34,477,613*
110	Non-current assets and disposal groups held for sale	-	-
120	Other assets	49,115,812	14,247,284
	Total assets	**7,896,293,302**	**7,486,828,673**

(euro)

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2018	31/12/2017
10	Financial liabilities measured at amortised cost:	6,969,462,465	
	a) Deposits	*6,622,922,106*	
	b) Debt securities issued	*346,540,359*	
	Deposits (former item 10 IAS 39)		*6,322,162,783*
	Debt securities issued (ex voce 20 IAS 39)		*256,899,885*
20	Financial liabilities held for trading	142,263	
	Financial liabilities held for trading (former item 30 IAS 39)		232,272
30	Financial liabilities designated at fair value	-	
	Financial liabilities measured at fair value (former item 40 IAS 39)		-
40	Hedging derivatives	-	-
50	Change in fair value of portfolio hedged items (+/-)	-	-
60	Tax liabilities	15,707,530	14,000,022
	a) current	*13,314,606*	*11,892,657*
	b) deferred	*2,392,924*	*2,107,365*
70	Liabilities associated with discontinued operations	-	-
80	Other liabilities	180,290,388	175,056,828
90	Post-employment benefits	4,072,739	4,740,439
100	Provisions for risks and charges:	14,703,045	13,576,779
	a) commitments and guarantees issued	*1,647,176*	
	a) post-retirement benefit and similar obligations	-	*13,576,779*
	b) other provisions for risks and charges	*13,055,869*	-
110	Equity	55,900,000	55,900,000
120	Treasury shares	-	-
130	Equity instruments	-	-
140	Share premium	61,798,643	61,798,643
150	Reserves	555,673,147	539,695,144
160	Valuation reserves	4,959,850	8,176,590
170	Profit (loss) for the year	33,573,232	34,579,288
180	Equity attributable to minority interests	10,000	10,000
	Total Liabilities and shareholders' Equity	**7,896,293,302**	**7,486,828,673**

Consolidated Income Statement

(euro)

	P&L	31/12/2018	31/12/2017
10	Interest and similar income	71,784,022	
	of which: interest income calculated using the effective interest rate method	*68,933,505*	
	Interest and similar income (former item 10 IAS39)		63,828,091
20	Interest and similar expenses	(5,774,590)	
	Interest and similar expense (former item 20 IAS39)		4,427,604
30	**Net interest income**	**66,009,432**	**68,255,695**
40	Fee and commission income	53,692,192	57,529,494
50	Fee and commission expense	(13,041,453)	(12,736,918)
	Net fee and commission income	**40,650,739**	**44,792,576**
70	Dividends and similar income	58,949	27,330
80	Net result from trading	53,717	
	Net result from trading (former item 80 IAS39)		(229,842)
90	Net result from hedging	-	-
100	Profit (loss) from disposal or repurchase of:	-	
	a) financial assets measured at amortised cost	-	
	b) financial assets at fair value through other comprehensive income	-	
	c) financial liabilities	-	
	Profit (loss) from disposal or repurchase of: (former item 100 IAS 39)	-	-
	a) financial assets	-	-
	b) financial liabilities	-	-
110	Net result of other financial assets/liabilities at fair value through profit or loss:	(367,780)	
	a) financial assets and liabilities designated at fair value	-	
	b) other financial assets mandatorily measured at fair value	*(367,780)*	
	Net result of financial assets and liabilities at fair value (former item 110 IAS 39)	-	-
120	**Net banking income**	**106,405,057**	**112,845,759**
130	Net value adjustments/write-backs for credit risk relating to:	(9,881,958)	
	a) financial assets measured at amortised cost	*(9,881,958)*	
	b) financial assets at fair value through other comprehensive income	-	
	Net impariment losses on: (former item 130 IAS 39)		(15,909,354)
	a) financial assets		(15,905,315)
	b) other financial transactions		(4,039)
140	Gains/losses on contract modifications without eliminations	-	
150	**Net result of financial management**	**96,523,099**	
160	Administrative expenses:	(46,201,160)	(47,690,718)
	a) personnel expenses	*(19,425,400)*	*(21,545,936)*
	b) other administrative expenses	*(26,775,760)*	*(26,144,782)*
170	Net provisions for risks and charges	(1,448,237)	
	a) commitments and guarantees issued	*22,104*	
	b) other net provisions	*(1,470,341)*	
	Net provisions for risks and charges (former item 150 IAS 39)		834,313
180	Net v alue adjustments/write-backs on property, plant and equipment	(933,604)	(1,154,975)
190	Net value adjustments/write-backs on intangible assets	(2,555,867)	(2,185,406)
200	Other operating expenses/income	2,544,344	2,679,913
210	**Operating expenses**	**(48,594,524)**	**(47,516,873)**
220	Profit (Loss) on equity investments	-	-
230	Net result of valuation at fair value of property, plant and equipment and intangible assets	-	-
240	Value adjustments to goodwill	-	-
250	Gains (Losses) on sale of investments	-	-
260	**Operating profit (loss) before taxes**	**47,928,575**	**49,419,531**
270	Income taxes for the year	(14,355,344)	(14,840,243)
	Operating profit (loss) net of taxes	**33,573,232**	**34,579,288**
290	Profit (Loss) of discontinued operations, net of taxes	-	-
300	**Profit (loss) for the year**	**33,573,232**	**34,579,288**
310	Profit (loss) for the year attributable to minority interests	**-**	**-**
320	**Profit (loss) for the year attributable to the Parent Company**	**33,573,232**	**34,579,288**

Consolidated Statement of Comprehensive Income

(euro)

	Items	Year 2018	Year 2017
10	**Profit (loss) for the year**	33,573,232	34,579,288
	Other income components net of taxes without reversal to income statement connected with:		
20	Equity instruments measured at fair value through other comprenshive income		
30	Financial liabilities designated at fair value through profit or loss (change in the creditworthiness)		
40	Hedging of equity instruments measured at fair value through other comprehensive income		
50	Property, plant and equipment		-
60	Intangible assets		-
70	Defined benefit plans	104,794	(102,820)
80	Non-current assets held for sale		-
90	Share of reserves from valuation of investments carried at equity		-
	Other income components net of taxes with reversal to income statement connected with:		
100	Hedging of foreign investments		-
110	Exchange rate differences		-
120	Cash flow hedges		-
130	Hedging instruments [not-designated elements]		
140	Financial assets (other than equity instruments) at fair value through other comprehesive income		
	Available-for-sale financial assets (former item 100 IAS 39)		(419,718)
150	Non-current assets and disposal groups held for sale		-
160	Share of reserves from valuation of investments carried at equity		-
170	**Total other income components net of taxes**	104,794	(522,538)
180	**Comprehensive income (Item 10+170)**	33,678,026	34,056,750
190	Consolidated comprehensive income attributable to minority interests		
200	**Consolidated comprehensive income attributable to the Parent Company**	33,678,026	34,056,750

Statement of Changes in Equity as at 31 December 2018

(euro)

	Balances as at 31.12.2017	Change in opening balances	Balances as at 01.01.2018	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other uses	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 distribution of dividends	Changes for the year: Equity transactions: Change in equity instruments	Changes for the year: Equity transactions: Other changes	Comprehensive income for the year 2018	Shareholders' Equity 31.12.2018	Shareholders' equity attributable to minority interests at 31.12.2018
Share capital:	**55,910,000**		**55,910,000**										**55,900,000**	**10,000**
a) ordinary shares	55,910,000		55,910,000										55,900,000	
b) other shares														
Share premium	**61,798,643**		**61,798,643**										**61,798,643**	
Reserves:	**539,695,144**	**(18,601,286)**	**521,093,858**	**34,579,288**							**-**		**555,673,146**	
a) income reserves	528,122,359		528,122,359	34,579,288									562,701,647	
b) other reserves	11,572,785	(18,601,286)	(7,028,501)								-		- 7,028,501	
Valuation reserves	**8,176,590**	**(3,321,534)**	**4,855,056**									**104,794**	**4,959,850**	
Equity instruments	-		-											
Treasury shares	-		-											
Profit (loss) for the year	**34,579,288**		**34,579,288**	**(34,579,288)**								**33,573,232**	**33,573,232**	
Shareholders' equity attributable to the Parent Company	**700,159,665**		**700,159,665**								**-**	**33,678,026**	**711,904,871**	**x**
Shareholders' equity attributable to minority interests	**10,000**		**10,000**										**x**	**10,000**

Statement of Changes in Equity as at 31 December 2017

(euro)

	Balances as at 31.12.2016	Change in opening balances	Balances as at 01.01.2017	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other uses	Changes during the year: Changes in reserves	Changes during the year: Equity transactions: Issue of new shares	Changes during the year: Equity transactions: Purchase of treasury shares	Changes during the year: Equity transactions: Extraordinary distribution of dividends	Changes during the year: Equity transactions: Changes in equity instruments	Changes during the year: Equity transactions: Other changes	Comprehensive income as at 2017	Shareholders' Equity 31.12.2017	Shareholders' equity attributable to minority interests at 31.12.2017
Share capital:	**55,910,000**		**55,910,000**										**55,900,000**	**10,000**
a) ordinary shares	55,910,000		55,910,000										55,900,000	
b) other shares														
Share premium	**61,798,643**		**61,798,643**										**61,798,643**	
Reserves:	**494,475,849**		**494,475,849**	**45,219,295**							**-**		**539,695,144**	
a) income reserves	482,903,064		482,903,064	45,219,295									528,122,359	
b) other reserves	11,572,785		11,572,785								-		11,572,785	
Valuation reserves	**8,699,128**		**8,699,128**									**(522,538)**	**8,176,590**	
Equity instruments														
Treasury shares														
Profit (loss) for the year	**45,219,295**		**45,219,295**	**(45,219,295)**								**34,579,288**	**34,579,288**	
Shareholders' equity attributable to the Parent Company	**666,102,915**		**666,102,915**								**-**	**34,056,750**	**700,149,665**	**x**
Shareholders' equity attributable to minority interests	**10,000**		**10,000**										**x**	**10,000**

Statement of Cash Flows

(euro)

A. OPERATING ACTIVITIES	31/12/2018	31/12/2017
1. Management	**55,395,354**	**58,553,160**
- profit (loss) for the year (+/-)	33,573,232	34,579,289
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	277,771	
gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value (+/-) (former IAS 39)		-
- gains/losses on hedging (+/-)	-	-
- net value adjustments/write-backs for credit risk (+/-)	3,231,326	
net value adjustments/write-backs for impairment (+/-) (former IAS 39)		9,230,671
- net value adjustments/write-backs on property, plant and equipmentand and intangible assets (+/-)	3,489,471	3,340,381
- net allowances to provisions for risks and charges and other costs/revenues(+/-)	1,690,721	(350,646)
- taxes not settled (+/-)	13,132,834	11,753,465
- net value adjustments/write-backs on discontinued operations, net of taxes (+/-)		
net value adjustments/write-backs on discontinued operations, net of taxes (+/-) (former IAS 39)		-
- other adjustments (+/)	-	-
2. Cash flow generated/absorbed by financial assets	**(434,231,586)**	**173,778,225**
- financial assets held for trading	-	
- financial assets designated at fair value	-	
- other financial assets mandatorily measured at fair value	372,111	
- financial assets at fair value through other comprehensive income	-	
- financial assets measured at amortised cost	(401,888,718)	
- other assets	(32,714,979)	
financial assets held for trading (former IAS 39)		-
financial assets measured at fair value (former IAS 39)		-
financial assets available for sale (former IAS 39)		1,364,016
loans to banks (former IAS 39)		(29,915,738)
loans to financial istitutions (former IAS 39)		95,876,529
loans to customers (former IAS 39)		96,906,101
other assets (former IAS 39)		9,547,317
3. Cash flow generated/absorbed by financial liabilities	**382,942,264**	**(229,038,392)**
- financial liabilities measured at amortised cost	390,399,797	
- financial liabilities held for trading	-	
- financial liabilities designated at fair value	-	
- other liabilities	(7,457,533)	
deposits from banks (former IAS 39)		(410,228,674)
deposits from financial istitutions (former IAS 39)		-
deposits from customers (former IAS 39)		35,856,501
securities issued (former IAS 39)		116,899,885
financial liabilities held for trading (former IAS 39)		(126,292)
financial liabilities measured at fair value (former IAS 39)		-
other liabilities (ex IAS 39)		28,560,188
Cash flow generated/absorbed by operating activities	**4,106,032**	**3,292,993**
B. INVESTING ACTIVITIES		
1. Cash flow generated by:	**176,598**	**(3)**
- sale of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of property, plant and equipment	863	(3)
- sale of intangible assets	175,735	-
- sale of subsidiaries and businesses	-	-
2. Cash flow absorbed by:	**(4,285,720)**	**(3,298,059)**
- purchase of equity investments	-	-
- purchase of property, plant and equipment	(1,019,280)	(182,868)
- purchase of intangible assets	(3,266,440)	(3,115,191)
- purchase of subsidiaries and businesses	-	-
Net cash flow generated/absorbed by investing activities	**(4,109,122)**	**(3,298,062)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- distribution of dividends and other uses	-	-
Net cash flow generated/absorbed by funding activities	**-**	**-**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(3,090)**	**(5,069)**

Reconciliation

(euro)

Financial statement items	31/12/2018	31/12/2017
Cash and cash equivalents at the beginning of the year	8,959	14,027
Total net cash flow generated/absorbed during the year	(3,090)	(5,068)
Cash and cash equivalents: effect of changes in exchange rates	-	
Cash and cash equivalents at the end of the year	5,869	8,959

INTRODUCTION

The notes to the accounts are divided into the following parts:
1) Part A – Accounting Policies;
2) Part B – Information on the Consolidated Balance Sheet;
3) Part C – Information on the Consolidated Income Statement;
4) Part D – Other Information.
Each part of the notes is divided 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 international accounting standards
Ifitalia S.p.A.'s consolidated financial statements as at 31 December 2018 comply with 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 consolidated 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 revised with subsequent updates, 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 IAS/IFRS adopted by IASB or 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 consolidated financial statements, accompanied by the related Report on Operations, comprise:
- ✓ Consolidated Balance Sheet and Consolidated Income Statement;
- ✓ Consolidated statement of comprehensive income;
- ✓ Consolidated Statement of changes in equity;
- ✓ Consolidated Statement of cash flows;
- ✓ 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 ease of access to financial resources. The Directors considered the going concern assumption appropriate 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. Specifically, 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.
The following two new accounting standards came into force on 1 January 2018:
- ✓ IFRS 9 – Financial Instruments, which replaces IAS 39 – Financial Instruments: Recognition and Measurement;
- ✓ IFRS 15 – Revenue from contracts with customers, which replaces IAS 18 Revenue.

In particular, for the presentation in the financial statements of the first-time adoption of IFRS 9, the Group makes use of the "transitional relief" and therefore the figures compared are those prepared in the previous year without taking into account the introduction of the new standards.
Therefore, for Balance Sheet and Income Statement items impacted by the above standard:
- ✓ in the financial statements, the results of the 2018 financial statements drawn up with the new standard will be shown on separate lines compared to those of the 2017 financial statements drawn up with the previous standard;
- ✓ in the notes to the accounts, for each item, first the Section envisaged by the latest update of the Circular "IFRS Financial Statements of Brokers other than Banking Intermediaries" of the Bank of Italy will be presented, filled in with the results of the 2018 financial statements (without direct comparison), followed by the corresponding Section envisaged by the previous version of the aforementioned Circular, drawn up with the results of the 2017 financial statements (without comparison) and published in last year's financial statements of Ifitalia.

Section 3 – Subsequent events after year end
When drawing up the financial statements, Ifitalia considered all the events that had economic pertinence for the year ended as at 31 December 2018, 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 consolidated financial statements have been audited by the auditing firm Mazars Italia S.p.A., which was granted the appointment for the period 2015 – 2023 by the Shareholders' Meeting held on 24 November 2015 in accordance with Italian Legislative Decree No. 39 of 27 January 2010.

Legislative changes
During 2018, new accounting standards, interpretations, or amendments came into force:
- ✓ IFRS 9 - Financial Instruments (EU Reg. 2016/2067);
- ✓ IFRS 15 - Revenue from Contracts with Customers (EU Reg. 2016/1905);
- ✓ IFRIC 22: Foreign Currency Transactions and Advance Consideration (EU Reg. 2018/519);
- ✓ Amendments to IAS 40: Transfers of Investment Property (EU Reg. 2018/400);
- ✓ Amendments to IFRS 2: Share-based Payment Transactions (EU Reg. 2018/289);
- ✓ Annual improvements to IFRS Standards 2014 - 2016 Cycle (EU Reg. 2018/182);
- ✓ Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (EU Reg. 2017/1988);
- ✓ Clarifications to IFRS 15: Revenue from Contracts with Customers (EU Reg. 2017/1987).

In 2018, the European Commission approved the following accounting standards that will come into force with the 2019 financial statements:
- ✓ Amendments to IFRS 9: Prepayment features with Negative Compensation (EU Reg. 2018/498).
- ✓ IFRS 16 - Leases (EU Reg. 2017/1986). The standard, subject to approval by the European Union on 31 October 2017, amends the current set of international accounting standards and interpretations on leases and, in particular, IAS 17.

Finally, in 2018, the IASB issued the following accounting standards and interpretations or amendments, which will become effective after the approval process is completed by the competent bodies of the European Union:
- ✓ IFRS 17 - Insurance Contracts (May 2017);
- ✓ IFRIC 23: Uncertainty over Income Tax Treatments (June 2017);
- ✓ Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (October 2017);
- ✓ Annual Improvements to IFRS Standards 2015 - 2017 Cycle (December 2017);
- ✓ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (February 2018);
- ✓ Amendments to references to the Conceptual Framework in IFRS standards (March 2018).

IFRS 9:
- ✓ introduces significant changes, with respect to IAS 39, to the rules for classifying and measuring receivables and debt securities, which will be based on the business model and the characteristics of the financial instrument's cash flows (SPPI criterion - Solely Payments of Principal and Interest);
- ✓ provides for the classification of capital instruments at fair value with the recognition of differences in the income statement or in "other income components";
- ✓ introduces a new accounting model of impairment based on:
  (i) an "expected losses" approach instead of the current "incurred losses", and
  (ii) on the concept of "lifetime" expected losses, which led to an increase in value adjustments to receivables;
- ✓ intervenes on "hedge accounting" by rewriting the rules for designating a hedge relationship and for verifying its effectiveness with the objective of ensuring a greater alignment between the accounting representation of the hedges and the underlying management rationale; and
- ✓ modifies the accounting for "own credit risk", i.e., changes in the fair value of liabilities designated as fair value options due to the fluctuations of the entity's own creditworthiness.

In order to adapt the processes to the new IFRS 9 standard by the scheduled deadline, the Group participated in a broad, three-year programme launched in February 2015 by BNPP for the entire Group.
Furthermore, the Group adopted the use of "transitional relief" provided for in the standard and therefore will not publish the comparative data in its 2018 financial statements.
Classification & Measurement: although the definitions introduced in the new IFRS 9 differ from those in the current IAS 39, there are no significant impacts from the introduction of the new accounting rules in terms of classification and measurement. Almost all financial assets were essentially classified in the new categories introduced by IFRS 9, without changing the measurement method.
One exception is the inclusion of capital instruments in the new portfolios, which has impacts on the Group's equity upon FTA (first-time adoption). In particular, capital instruments, currently recognised in the AFS portfolio (available for sale), were classified as FVTPL, or at fair value with a contra-entry in the income statement. Upon FTA, the corresponding AFS reserve, equal to EUR 3.32 million (inclusive of taxes, EUR 0.25 million), was therefore reclassified.
Impairment: the new rules for staging and calculating impairment led to an increase of EUR 32.74 million in write-downs upon FTA (before taxes, EUR 10.81 million), broken down as follows:
- Stage 1 increase in write-downs of EUR 4.63 million;
- Stage 2 increase in write-downs of EUR 1.42 million;
- Stage 3 increase in write-downs of EUR 26.69 million.

These write-downs were recorded as a contra-entry to the reduction in equity for EUR 21.93 million, net of the tax effect of EUR 10.81 million.
Following the entry into force of IFRS 9, Regulation (EU) no. 575/2013 introduced an amendment of prudential rules for calculating capital absorption on expected credit losses. In this regard, financial institutions may adopt a transitional regime, according to which they can include adjustments made following the adoption of the new standard's impairment model in CET1, with a phase-in mechanism over a period of 5 years beginning in 2018. Given the above impacts, the Group did not observe the provisions of the aforementioned regulation and, therefore, the effects of the write-downs performed upon FTA on capital and capital ratios are fully reported.

IFRS 15, which became effective as from 1 January 2018, envisages:
- ✓ two approaches for recognising revenues ("at point in time" or "over time");
- ✓ a new model of transaction analysis ("Five-Steps Model") focused on the transfer of control; and
- ✓ more disclosure required to be included in the notes to the accounts.

The standard does not apply to financial instruments subject to IFRS 9.

IFRS 16, applicable from 1 January 2019, subject to the approval of the European Union, amends the current set of international accounting standards and interpretations on leases and, in particular, IAS 17.
The standard introduces a new definition of leases and defines the distinction between the two types of leases (operating and financial) in reference to the accounting model that the lessor must apply.
In order to ensure compliance with this accounting standard, the Group has launched activities to analyse the effects of adopting the new standard and preparing necessary implementation solutions.

For the Group, a number of cases falling within the scope of the standard and having in any case Group companies as counterparties have been highlighted:
- hired car fleet;
- rental expenses.

To date, the analyses carried out have had little significant impact on the Group's financial statements.

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.

Payment agreements based on own equity instruments

The Group 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 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.

Section 5 - Scope and methods of consolidation

The scope of line-by-line consolidation includes a vehicle company for which Ifitalia is exposed to the majority of risks and obtains the majority of benefits (SPE/SPV).

The financial statements used as the basis for the line-by-line consolidation process are those as at 31 December 2018, as approved by the competent bodies of the consolidated company.

1. Equity investments in subsidiaries

The scope of line-by-line consolidation includes the vehicle company Tierre Securitisation s.r.l. (SPV), with registered office in via V. Alfieri 1 Conegliano (TV).
Ifitalia holds no share in the capital of the SPV but, based on the reference accounting standards (IFRS 10), it can be deemed that it 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).

2. Significant valuations and assumptions for determining the scope of consolidation

The entities in which Ifitalia has direct or indirect control are subsidiaries. Control over an entity is shown by its ability to exercise power in order to influence the variable returns to which Ifitalia is exposed as a result of its relationship with it.
"Structured entities" (SPVs), for which voting rights are not significant for control assessment, are considered subsidiaries where:
- Ifitalia has power through contractual rights that allow it to control the relevant activities;
- Ifitalia is exposed to the variable returns resulting from these activities.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well as profits and losses between entities included in the scope of consolidation are eliminated on a line-by-line basis.
The costs and revenues of a subsidiary are included in the consolidated financial statements as from the date of acquisition of control.
The portion of non-controlling interests is shown in the Balance sheet under item 180. "Non-controlling interests", separately from liabilities and shareholders' equity attributable to the Group. In the Income statement, the portion attributable to non-controlling interests is shown separately under item 310. “Profit (loss) for the year attributable to non-controlling interests”.
For companies included in the scope of consolidation for the first time, the fair value of the cost incurred to obtain control of this investment, including incidental expenses, is measured at the acquisition date.
The difference between the consideration for the sale of a stake held in a subsidiary and the related book value of the net assets is recorded as a matching balance in Shareholders' Equity, if the sale does not entail loss of control.
In this case, Ifitalia did not incur any cost to obtain control in that the production of the consolidated financial statements is determined by the fact that the requirements for exemption set out in the regulations no longer apply (Italian Legislative Decree 136 of 2015, Article 40).

3. Equity investments in subsidiaries with significant minority interests
The consolidated financial statements do not include subsidiaries with significant minority interests.

4. Significant restrictions
During 2018, Ifitalia was not significantly restricted in its capacity to access or use assets and extinguish Group liabilities.

5. Other information
The Group does not include Consolidated companies the separate financial statements of which refer to a date or period other than that of the consolidated financial statements.

A.2 – SECTION REGARDING THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting standards adopted for the 2018 consolidated financial statements are the same as those used for the 2017 financial statements, with the exception of those impacted by the introduction of IFRS 9 and IFRS 15 as from 1 January 2018. The items in the balance sheet that were modified following the introduction of the above standards are shown below. For the other items not affected, as mentioned above, the standards adopted are those used for the 2017 Financial Statements.

IAS 39 Eliminated or changed clusters of Balance sheet	IFRS 9 New clusters of Balance Sheet
✓ Financial assets held for trading ✓ Financial assets available for sale ✓ Financial assets held to maturity ✓ Loan ✓ Financial assets at fair value ✓ Hedging instruments ✓ Debts and debts securities ✓ Financial liabilities at fair value	✓ Financial assets at fair value through profit and loss ✓ Financial assets at fair value through other comprehensive income ✓ Financial assets measured at amortised cost ✓ Hedging instruments ✓ Financial liabilities measured at amortised cost ✓ Financial liabilities designated at fair value

As mentioned above, the Group makes use of the "transitional relief" and therefore the figures compared are those prepared in the previous year without taking into account the introduction of the new standards. Therefore, please find below:

a) the standards used for the preparation of the financial statements as at 31 December 2018;
b) the standards used for the preparation of the financial statements as at 31 December 2017 relating only to the

items modified in 2018 following the introduction of IFRS 9.

STANDARDS USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. Financial assets at fair value through income statement

This item includes all financial assets not classified in the portfolio of financial assets at fair value through other comprehensive income and in the portfolio of financial assets at amortised cost.
More specifically, this item includes:
a) financial assets held for trading (debt securities, equities, loans, UCI units and derivatives);
b) assets mandatorily at fair value (debt securities and loans) with the valuation results recognised in the income statement on the basis of the option granted to companies (fair value option) by IFRS 9;
c) other financial assets mandatorily at fair value (debt securities, equities, UCI units and loans), i.e. financial assets, other than those designated at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or that are not held for trading.
The initial recognition takes place on the trading date for all financial assets. The initial recognition value is the fair value. Subsequent to initial recognition, the portfolio is measured at fair value, with the exception of equity instruments not listed on an active market and whose fair value cannot be reliably determined.
If the fair value of a financial asset becomes negative, this asset is recorded as a financial trading liability.
Financial assets at fair value through profit or loss conventionally include the balance arising from the offsetting of derivative contracts allocated to the trading portfolio and hedging derivatives in accordance with IAS 32, paragraph 42, if the absolute value of the fair value of the derivatives allocated to the trading portfolio is greater than the absolute value of the fair value of the hedging derivatives and is positive. This offset is recognised if the Group:
(a) currently has an exercisable right to offset the recognised amounts; and
(b) intends to pay the net amounts or to realise the asset and settle the liability at the same time.
Accrued interest is recorded in item 10 Interest income or 20 Interest expense, with the exception of differentials on non-hedging derivatives, which are recorded in net trading profit (loss).
Realised gains and losses on sales or reimbursements and unrealised gains and losses deriving from fair value changes in the portfolio at issue are recorded in item “80. Net trading profit (loss)” with regard to financial assets held for trading and in item “110. Net result of other financial assets and liabilities at fair value through profit or loss” for assets at fair value and other financial assets mandatorily at fair value.
The determination of the fair value of trading assets is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
In relation to the provisions of the joint Bank of Italy/Consob/IVASS document of 8 March 2013 on the accounting treatment of "long-term structured repos", it should be noted that the Group does not carry out such transactions.

2. Financial assets at fair value through other comprehensive income

All financial assets that passed the SPPI test and may be sold for any reason, such as liquidity requirements or changes in interest rates, exchange rates or share prices, are classified as "Financial assets at fair value through other comprehensive income"; as well as equities that are held for strategic reasons or that are not contestable on the market.
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 recognition value for all the assets is the fair value, inclusive of the transaction costs or income directly attributable to said instrument.
The Group measures these financial instruments at fair value with the exception of investments in equity instruments not listed on active markets for which it is not possible to measure fair value reliably.
The determination of the fair value of securities measured at fair value through other comprehensive income is based on the prices struck on active markets, on prices provided by the operators or on internal appraisal models used in financial practice.
The expected loss recognised in the income statement under item "130. Net value adjustments due to credit risk of: b) measured at fair value through other comprehensive income" is calculated on the non-equity instruments that have passed the SPPI test. Any value write-backs are recorded with a matching balance in the income statement.
The value of unlisted share investments is determined by applying recognised measurement techniques, including the method based on multiple market observations of similar companies. The value of listed share investments is determined

based on the market price.
For investments in equity instruments, all positive and negative changes in fair value, even if the latter are significant or prolonged below cost, are recorded with a matching balance under equity.
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.
Following the derecognition of an investment in bonds, the related cumulative and unrealised change in value recognised in equity is transferred to item "100. Gain/loss on disposal or repurchase of: b) financial assets at fair value through other comprehensive income" in the income statement.
In the case of derecognition of an equity instrument, the related cumulative and unrealised change in value is reclassified to an available reserve within shareholders' equity.
Gains and losses on disposals are determined using the average cost method.

3. Financial assets at amortised cost
This item includes debt securities and loans allocated to the portfolio measured at amortised cost. Due from banks, including also due from central banks other than demand deposits included in "Cash and cash equivalents" and due from customers, including due from Post Offices and Cassa Depositi e Prestiti, as well as operating loans related to the provision of financial assets and services as defined by the consolidation act of banking and lending laws (TUB) and the Consolidated Finance Act (TUF) (e.g. servicing activities) are recognised.
Loans/receivables are recognised in the financial statements when the Company becomes a party to the contract and acquires unconditionally a right to payment of the agreed amounts and are initially recognised at their fair value, corresponding to the amount disbursed, including transaction costs and initial revenues directly attributable. Where the net amount disbursed does not refer to its fair value, due to the lower interest rate applied compared to that of the reference market or to that normally applied to loans with similar characteristics, the initial recognition is made for an amount equal to the discounting of future cash flows at an appropriate rate.
After initial recognition, financial assets classified in the loans portfolio are recognised at amortised cost, using the effective interest method. The effective interest method is used to calculate the amortised cost and interest income of the loan over its entire duration. The effective interest rate is the rate that discounts the flow of estimated future payments over the expected life of the loan so as to obtain the net book value at initial recognition. Interest on loans/receivables is classified under interest and similar income deriving from amounts due from banks and loans to customers, and is recorded on an accrual basis.
In particular, with regard to factoring transactions, the transferee company can recognise a financial asset in its financial statements 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 IFRS 9;
✓ 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 IFRS 9.

Ifitalia recorded in the financial statements, under item 40 of the balance sheet assets, “Loans and Receivables”, and in line with the aforementioned 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) that 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;
✓ 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 recorded the following amounts under guarantees and commitments, 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 acquiring the loans/receivables 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, the most common contractual clauses in Ifitalia transactions have been stated below, analysed with a view to application of the recognition/derecognition rules.

a) 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 clauses have not been considered as an impediment to recognition of the individual loans/receivables in the financial statements.

b) 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
materiality. In such cases, the clause was considered an impediment to recognition of the individual loans/receivables in the financial statements.

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 a plurality of 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, the portion of commission relating to loans/receivables not expired to be credited as a matching balance to the item “other liabilities” was rediscounted.

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

This commission takes 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 IFRS 9, spreading the revenue equally 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) 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 his/her credit obligations (in terms of principal and/or interest). 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 that imply a situation of debtor default risk (for example, a crisis in the industrial sector in which the debtor operates).
✓ Impaired past due positions: cash credit exposures other than those classified as non-performing or unlikely to pay, which are past due as at the reporting reference date.
a) Past due positions with respect to individuals: exposures other than those classified as non-performing or unlikely to pay, which are past due by more than 90 days as at the reporting reference date. 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.
b) Past due positions with respect to Public Administration parties: 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 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.
The classification of exposures subject to concession (forborne exposures) include exposures that have been subject to concession vis-à-vis a debtor who is dealing with difficulties or is close to dealing with difficulties in terms of meeting its financial commitments. These exposures can be classified either as impaired assets ("non-performing exposures") or as performing loans ("performing exposures"). As regards the measurement and provisions for exposures subject to concessions, accounting policies follow the general criterion, in line with the provisions of IFRS 9.

Staging rules

Performing positions

The Stage classification for performing facilities is based on the outcome of the assessment of "significant increase in credit risk" (or "significant impairment").
The "significant increase in credit risk" is assessed at the individual facility level by comparing the rating determined at the reporting date with the rating in effect at the origination date (recognition date).
The rating, monitored and updated periodically according to Ifitalia's policies, represents the main parameter for expressing creditworthiness.
For the assessment of "significant impairment", Ifitalia uses the absolute and relative criteria defined at Group level.
✓ Absolute criteria:
The absolute criteria (or backstop) used to classify performing facilities in Stages 1 and 2 are based on the information available at the reporting date (e.g., rating, days past due). The thresholds used reflect absolute levels of high or low credit quality in order to classify:
• in Stage 1, all facilities that have a low credit risk;
• in Stage 2, all facilities that have a high underlying risk.
The absolute criteria (or backstop) defined are based on the assessment of the rating at the reporting date.
Furthermore, as required by the accounting standard and Group policy, Ifitalia adopts the "Rebuttable Presumption", according to which all facilities with contractual payments past due for more than 30 days are classified in Stage 2.

- ✓ Relative criteria:

For all performing facilities, which do not fall within the scope of the absolute criteria, relative criteria are applied, expressed in terms of the difference between ratings (known as the "delta notch").

Non-Performing Perimeter

All facilities that at the reporting date have a rating of 11 12 are classified in Stage 3.

Impairment rules

Following the classification in Stages, Ifitalia calculates the provisions, at the individual facility level, consistent with regulatory principles and Group guidelines.

The provision amount corresponds to the expected loss differentiated by Stage in order to take into account the different levels of risks:

- ✓ For facilities classified in Stage 1, an expected loss in relation to the maturity is calculated with a maximum value of one year;
- ✓ For facilities classified in Stage 2, a lifetime expected loss (EL Lifetime) is calculated, that is, until the facility's maturity date;
- ✓ For facilities classified in Stage 3, specific provisions are calculated, corresponding to an expected lifetime loss.

Performing positions

The impairment calculation is based on risk parameters (PD, LGD and EAD) consistent with the duration of the transaction.

The expected loss in Stage 1 represents the expected loss deriving from the possible occurrence of a facility entering default within one year of the reporting date.

The expected loss in Stage 2 is the present value of expected losses due to a facility entering default in the period between the reporting date and the facility's maturity.

To calculate the expected lifetime loss, cumulative PDs are therefore used.

For the portion of the portfolio for which the rating models are not available at the BNP Group level, Ifitalia, in line with Group guidelines, calculates the expected loss, at one year or over the lifetime, using a simplified method based on historical loss data (EL ratio).

In accordance with IFRS 9, the PD, LGD and EAD parameters used to calculate impairment are consistent with regulatory values (those used to calculate the IRBA capital requirements), in particular for the LGD parameter, the value is net of conservative margins, regulatory penalties, and downturn margins.

In addition, IFRS 9 provides for the adoption of a forward-looking, multi-scenario approach to risk parameters in order to incorporate current conditions as well as expectations for possible future events and conditions in the impairment calculation.

Non-Performing Perimeter

For facilities classified in Stage 3, Ifitalia calculates the expected lifetime loss through a forward-looking approach that incorporates future expectations of possible collections and losses, including possible sales scenarios.

For non-performing exposures, Ifitalia has adopted a unique, precise analytical valuation model for individual positions; thus, for these positions Ifitalia adopts a "Judgemental Approach";

The Judgemental Approach incorporates both the collection strategy and the expected value deriving from a possible sale of the portfolio.

The determination of the recoverable value of receivables takes into account the time value of money and any guarantees supporting the positions; 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. For an estimate of the amount and the recovery timescale of the afore-mentioned problem loans/receivables, reference is made to specific calculations and, in the absence thereof, to estimated and forfeit values. These estimates are made taking into account both the specific solvency situation of debtors with payment difficulties and any difficulties in servicing debt by individual segments.

The write-down of problem loans/receivables is subsequently written back 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.

Recoveries of part or entire loans/receivables previously written down are booked to reduce the value of item "130. Net value adjustments/write-backs due to credit risk of: a) financial assets at amortised cost".

A derecognition occurs when there is no longer a reasonable likelihood of recovery. The amount of the losses is recorded in the income statement net of the write-down allowances previously provided.

4. Tangible assets

Tangible assets are initially stated at cost, inclusive of all the charges directly associated with bringing the asset onto stream.
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.
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 that 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, but only if the entire building is owned (detached property). 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/write-backs 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 that would have been determined if no impairment loss on the
asset had been recorded in
previous years.

Depreciation is recorded in the income statement in item 120. “Net value adjustments/write-backs 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/expenses”, 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

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 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.
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 that 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/write-backs 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 that would have been determined if no loss had been recorded for the impairment of the asset in previous years.
Amortisation is recorded in the income statement in item 130. “Net value adjustments/write-backs 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 income statement 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 “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:

✓ 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.

✓ 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 Financial liabilities at amortised cost

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.

Financial liabilities at amortised cost (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.

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

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

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

8. Employee termination benefits

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.

In particular, following Italian Law no. 296/2006 (2007 Budget Act), 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 may be different for every employee, valued by an independent actuary without applying the “pro-rata” of the service supplied. As a result, costs relating to work performed after said date are not considered for valuation purposes.

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:

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

✓ 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

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.

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.
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”.
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.

STANDARDS USED FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 RELATING ONLY TO THE ITEMS MODIFIED IN 2018 FOLLOWING THE INTRODUCTION OF IFRS 9 AND IFRS 15.

1. Financial assets and liabilities held for trading

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.
“Financial assets held for trading” (item 20 – Balance sheet - Assets) and “Financial trading liabilities” (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 Group has recorded Interest Rate Swap derivatives under financial trading liabilitiesg, not initially declared in the hedging category, despite being, operationally, transactions established with the aim of hedging the fixed rate risk applied to customers.
Subsequent to initial recognition, 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).
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.

Accrued interest is recorded in item 10 “Interest and similar income” or 20 “Interest and similar expense 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 takes place, for financial assets whose delivery is regulated on the basis of agreements envisaged by the reference market (known as 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.
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.
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 on shareholders’ equity figures, limited to the measurement of the unlisted equity investments.
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.
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.
Unrealised profits and losses deriving from the fair value measurement, 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.
defined in the accounting policies. Any value write-backs 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 write-backs on investments in debt instruments are classified in the income statement.

3. Receivables

Within the sphere of the more extensive category of financial instruments, loans/receivables comprise non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. Loans/receivables are initially stated at fair value.
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 its ownership 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 recorded in the financial statements, under item 60 of the balance sheet assets, “Loans and Receivables”, and in line with the aforementioned 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) that 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;
- ✓ 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 acquiring the loans/receivables 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.

<u>Maximum payable:</u> 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 clauses have not been considered as an impediment to recognition of the individual loans/receivables in the financial statements.

<u>Malus clause:</u> 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 materiality
materiality. In such cases, the clause was considered an impediment to recognition of the individual loans/receivables in the financial statements.

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:

- <u>Management commission</u>

This commission takes the form of a *fee for the provision of a plurality of 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, re-discounting 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 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 equally 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) 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 his/her credit obligations (in terms of principal and/or interest). 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 that imply a situation of debtor default risk (for example, a crisis in the industrial sector in which the debtor operates).

✓ Impaired past due positions

Cash credit exposures other than those classified as non-performing or unlikely to pay, which are past due as at the reporting reference date.

a) *Past due positions with respect to individuals*: exposures other than those classified as non-performing or unlikely to pay, which are past due by more than 90 days as at the reporting reference date. 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.

b) *Past due positions with respect to Public Administration parties*: 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 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.

Exposures subject to concessions can be classified either as impaired assets ("non-performing exposures") or as performing loans ("performing exposures") and do not constitute a category. As regards the measurement and provisions for exposures subject to concessions, accounting policies follow the general criterion, in line with the provisions of IAS 39.

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

Based on the relationship status, a distinction was made between “performing” positions and “non-performing or impaired” positions:

a) “Performing” positions: the Group has implemented a process to calculate the collective write-down of performing

loans consistent with the provisions at BNP Group level with the methods below:
- ✓ Credit risk: the write-down is applied proportionally to the Expected Loss 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 write-down is applied to debtor cash risks proportionally to the average dilution risk recorded on the portfolio divided into the corporate/SME and Retail SME/Retail segments. The amount of the write-down 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 write-downs to be made to loans/receivables is based on discounting the expected cash flows 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 and unlikely to pay is carried out analytically, while for past due positions, an analytical assessment is carried out for larger positions and a generalised assessment is carried out for the rest.
The write-down 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 write-downs, the approach of the due dates envisaged for the recovery of the receivable due to the passage of time, gives rise to a "value write-back" 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 write-down or write-back, 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).

Loans/receivables are derecognised from the balance sheet
assets when:
- ✓ the right to receive the cash flows is discharged;
- ✓ the loan/receivable is considered to be definitively unrecoverable.

The amount of the losses is recorded in the income statement net of the write-down allowances previously provided.

A.3 – DISCLOSURE ON THE TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS
The Group has not carried out any portfolio transfers during 2018.

A.4 – FAIR VALUE DISCLOSURE

Qualitative information

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 Company 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 Company 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 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 that cannot be observed on the markets used for the measurement of the equity instruments that 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 2018, the Group recorded both unlisted equity investments that are carried at cost, since these are capital instruments whose fair value cannot be measured reliably, as well as unlisted equity investments measured at fair value on equity figures under "Financial assets mandatorily at fair value".
During 2018, 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 (e.g., 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 financial instruments measured at fair value and 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 that might become necessary during the year.
There were no transfers between the fair value levels during 2018.

A.4.4 Other information

The Group has not availed itself of the possibility envisaged by IFRS 13, § 48 that makes it possible to "measure the fair value of a group of financial assets and liabilities based on the price that 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."

2018 FINANCIAL YEAR

Quantitative information

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 €)

	2018		
Financial assets/liabilities measured at fair value	L1	L2	L3
1. Financial assets at fair value through profit or loss	-	-	-
a) financial assets held for trading	-	-	-
b) financial assets designated at fair value	-	-	-
value	-	-	5,181
2. Financial assets at fair value through other comprehensive income	-	-	-
3. Hedging derivatives	-	-	-
4. Property, plant and equipment	-	-	-
5. Intangible assets	-	-	-
Total	**-**	**-**	**5,181**
1. Financial liabilities held for trading	-	142	-
2. Financial liabilities designated at fair value	-	-	-
3. Hedging derivatives	-	-	-
Total	**-**	**142**	**-**

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

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

(thousands of €)

		Financial assets at fair value through profit or loss				Financial assets at fair value through comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
		Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1.	**Opening balance**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
2.	**Increases**	**5,921**	**-**	**-**	**5,921**	**-**	**-**	**-**	**-**
2.1.	Purchases	-	-	-	-	-	-	-	-
2.2.	Profits charged to:	-	-	-	-	-	-	-	-
	2.2.1 Income statement	-	-	-	-	-	-	-	-
	- of which gains	-	-	-	-	-	-	-	-
	2.2.2. Shareholders' equity	-	X	X	X	-	-	-	-
2.3	Transfers to other levels	-	-	-	-	-	-	-	-
2.4.	Other increases	5,921	-	-	5,921	-	-	-	-
3.	**Decreases**	**740**	**-**	**-**	**740**	**-**	**-**	**-**	**-**
3.1	Sales	172	-	-	172	-	-	-	-
3.2	Reimbursements	200	-	-	200	-	-	-	-
3.3	Losses charged to:	368	-	-	368	-	-	-	-
	3.3.1 Income statement	368	-	-	368	-	-	-	-
	- of which losses	368	-	-	368	-	-	-	-
	3.3.2 Shareholders' Equity	-	X	X	X	-	-	-	-
3.4	Transfers to other levels	-	-	-	-	-	-	-	-
3.5	Other decreases	-	-	-	-	-	-	-	-
4.	**Closing balance**	**5,181**	**-**	**-**	**5,181**	**-**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

There were no amounts in this section.

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	2018			
	VB	L1	L2	L3
1. Financial assets measured at amortised cost	7,747,495	-	-	7,747,495
2. Property, plant and equipment held for investment purposes	2,596	-	2,596	-
3. Non-current assets and disposal groups held for sale	-	-	-	-
Total	**7,750,091**	**-**	**2,596**	**7,747,495**
1. Financial liabilities measured at amortised cost	6,969,462	-	-	6,969,462
2. Liabilities associated with discontinued operations	-	-	-	-
Total	**6,969,462**	**-**	**-**	**6,969,462**

Key:
BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 DISCLOSURE ON "DAY ONE PROFIT/LOSS"

The Group did not carry out any transactions that generated the "day one profit/loss".

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Quantitative information
Fair value hierarchy

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

(thousands of €)

	2017		
Assets/liabilities at fair value	L1	L2	L3
1. Financial assets held for trading	-	-	-
2. Financial assets measured at fair value	-	-	-
3. Financial assets available for sale	-	-	5,921
4. Hedging derivatives	-	-	-
5. Property, plant and equipment	-	-	-
6. Intangible assets	-	-	-
Total	**-**	**-**	**5,921**
1. Financial liabilities held for trading	-	232	-
2. Financial liabilities measured at fair value	-	-	-
3. Hedging derivatives	-	-	-
Total	**-**	**232**	**-**

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

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**		-	**7,285**	-	-	-
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**	-	-	**1,364**	-	-	-
3.1 Sales	-	-	-	-	-	-
3.2 Reimbursements	-	-	563	-	-	-
3.3 Losses booked to:	-	-	801	-	-	-
3.3.1 Income statement	-	-	350	-	-	-
- of which capital losses	-	-	350	-	-	-
3.3.2 Shareholders' Equity	X	X	451	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. **Closing balances**	-	-	**5,921**	-	-	-

Annual changes in liabilities measured at fair value (level 3)
There were no amounts in this table.

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	2017			
	VB	L1	L2	L3
1. Financial assets held to maturity	-	-	-	-
2. Receivables	7,381,433	-	-	7,381,433
3. Investments	-	-	-	-
4. Property, plant and equipment held for investment purposes	2,724	-	2,724	-
5. Non-current assets and discontinued operations	-	-	-	-
Total	**7,384,157**	**-**	**2,724**	**7,381,433**
1. Deposits	6,322,163	-	-	6,322,163
2. Securities issued	256,900	-	-	256,900
3. Liabilities associated with discontinued operations	-	-	-	-
Total	**6,579,063**	**-**	**-**	**6,579,063**

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

Disclosure on “day one profit/loss”
The Group did not carry out any transactions that generated the “day one profit/loss”.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents

(thousands of €)

	31/12/2018	31/12/2017
a) Cash	6	9
b) Demand deposits with Central Banks	-	-
Total	**6**	**9**

The item comprises cash and cash equivalents and revenue stamps at company headquarters.

Section 2 – Financial assets at fair value through profit or loss

2.1 Financial assets held for trading: breakdown by product
There were no amounts in this section.

2.2 Derivative financial instruments
There were no amounts in this section.

IFITALIA
GRUPPO BNP PARIBAS

2.3 Financial assets held for trading: breakdown by debtor/issuer/counterparties
There were no amounts in this section.

2.4 Financial assets at fair value: breakdown by product
There were no amounts in this section.

2.5 Financial assets at fair value: breakdown by debtor/issuer
There were no amounts in this section.

2.6. Other financial assets mandatorily at fair value: breakdown by product

(thousands of €)

Items/Amount	Total 31/12/2018		
	L1	L2	L3
1. Debt securities	**-**	**-**	**-**
1.1 Structured securities	-	-	-
1.2 Others debt securities	-	-	-
2. Equity instruments	**-**	**-**	**5,181**
3. UCI units	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-
4.2 Other	-	-	-
Total	**-**	**-**	**5,181**

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

2.7 Other financial assets mandatorily at fair value: breakdown by debtor/issuer

(thousands of €)

	Total 31/12/2018
1. Equity instruments	**5,181**
of which: banks	-
of which: other financial companies	4,239
of which: non-financial companies	942
2. Debt securities	**-**
a) Public administration	-
b) Banks	-
c) Other financial companies	-
of which: insurance companies	-
d) Non-financial companies	-
3. UCI units	**-**
4. Loans	**-**
a) Public administration	-
b) Banks	-
c) Other financial companies	-
of which: insurance companies	-
d) Non-financial companies	-
Households	-
Total	**5,181**

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Financial assets held for trading (former Item 20 IAS 39)
There were no amounts in this section.

Financial assets at fair value (former Item 30 IAS 39)
There were no amounts in this section.

Section 3 – Financial assets at fair value through other comprehensive income
There were no amounts in this section.

Available-for-sale financial assets (former Item 40 IAS 39)

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

(thousands of €)

Items/Balances	31/12/2017		
	Level 1	Level 2	Level 3
1 Debt securities	-	-	-
Structured securities	-	-	-
Other debt securities	-	-	-
2 Equity investments and UCI units	-	-	5,921
3 Loans	-	-	-
Total	**-**	**-**	**5,921**

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	4,607
Business Partner Italia ScpA Via Vittorio Veneto 119 00187 Roma Share capital EUR 5.710.300	172,111	3.01%	172	172
Other holdings				1,142
Total				5,921

The amount of EUR 1,142 thousand, recorded in the item "other" refers to the investment holdings held by Ifitalia inherent to cinema productions. During the year, reimbursements of EUR 563 thousand and write-downs of EUR 350 thousand were recognised. It has not been possible to reliably establish the fair value of the investments since they are not traded on an active market.

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

(thousands of €)

Items/Balances	31/12/2017
Financial assets	
a) Governments and Central Banks	-
b) Other government agencies	-
c) Banks	-
d) Financial institutions	4,607
e) Other issuers	1,314
Total	**5,921**

Section 4 – Financial assets at amortised cost

4.1 Financial assets at amortised cost: breakdown by product of due from banks

(thousands of €)

Breakdown	Total 31/12/2018					
	Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. Deposits and current accounts	316					316
2. Loans	21,178	712	-	-	-	21,890
2.1 Repurchase agreements						
2.2 Financial leasing						
2.3 Factoring	21,178	712	-	-	-	21,890
- with recourse	281					281
- without recourse	20,897	712				21,609
2.4 Other loans						
3. Debt securities	-	-	-	-	-	-
- structured securities						
- other debt securities						
4. Other assets						
Total	**21,494**	**712**	**-**	**-**	**-**	**22,206**

4.2 Financial assets at amortised cost: breakdown by product of due from financial companies

(thousands of €)

Breakdown	Total 31/12/2018					
	Book value			Fair Value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L 1	L 2	L 3
1. Loans	**62,912**	**-**	**-**	**-**	**-**	**62,912**
1.1 Repurchase agreement						
1.2 Financial Leasing						
1.3 Factoring	62,912	-	-	-	-	62,912
- with recourse	30,776					30,776
- without recourse	32,136					32,136
1.4 Other loans						
2. Debt securities	-	-	-	-	-	-
2.1 Structured securities						
2.2 other debt securities						
3. Other assets						
Total	**62,912**	**-**	**-**	**-**	**-**	**62,912**

4.3 Financial assets at amortised cost: breakdown by product of due from customers

(thousands of €)

Breakdown	Total 31/12/2018					
	Book value			Fair value		
	First and second level	Third level	of which: impaired financial assets purchased or originated	L1	L2	L3
1. Loans	7,520,823	141,554	-	-	-	7,662,377
1.1 Financial leasing						
of which: without final purchase option						
1.2 Factoring	6,829,807	141,554	-	-	-	6,971,361
- with recourse	853,583	86,638				940,221
- without recourse	5,976,224	54,916				6,031,140
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	691,016					691,016
of which: from enforcement of guarantees and commitments						
2. Debt securities	-	-	-	-	-	-
2.1 structured securities						
2.2 other debt securities						
3. Other assets						
Total	**7,520,823**	**141,554**	**-**	**-**	**-**	**7,662,377**

The item "Financial assets at amortised cost" includes deferred income relating to the spreading of revenue, falling within the scope of IFRS 9, in line with the duration of the credit to which they refer.
Deferred income relating to guarantee commissions within the scope of IFRS 9 amounted to EUR 48,488 as at 31 December 2018, while the same item as at 31 December 2017 amounted to EUR 106,025.

4.4 Financial assets at amortised cost: breakdown by debtor/issuer of due from customers

(thousands of €)

Breakdown	Total 31/12/2018		
	First and second level	Third level	of which: impaired financial assets purchased or originated
1. Debt securities	-	-	-
a) Public Administration			
b) Other financial companies			
of which: insurance companies			
c) Non-financial companies			
2. Loans to:	7,520,823	141,554	-
a) Public Administration	1,504,982	39,183	
b) Other financial companies			
of which: insurance companies			
c) Non-financial companies	5,951,238	100,136	
d) Households	64,603	2,235	
3. Other assets			
Total	**7,520,823**	**141,554**	-

4.5 Financial assets at amortised cost: gross value and total value adjustments

(thousands of €)

	Gross value				Value adjustments			Overall partial write-off *
	First level	*of which: instruments with low credit risk*	Second level	Third level	First level	Second level	Third level	
Debt securities								
Loans	6,684,667		931,142	437,027	4,392	6,501	294,761	
Other assets								
Total 2018	**6,684,667**	**-**	**931,142**	**437,027**	**4,392**	**6,501**	**294,761**	-
of which: impaired financial assets purchased or originated	X	X			X			

4.6 Financial assets at amortised cost: guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2018					
	Due from banks		Due from financial institutions		Due from customers	
	VE	VG	VE	VG	VE	VG
1. **Performing assets guaranteed by:**	4	4	28,851	25,171	1,908,896	1,341,527
- Leased assets						
- Factoring receivables	4	4	28,851	25,171	1,052,653	947,080
- Mortgages						
- Pledges						
- Unsecured guarantees					856,243	394,447
- Derivatives on receivables						
2. **Impaired assets guaranteed by:**	-	-	-	-	81,716	80,701
- Leased assets						
- Factoring receivables					80,815	80,251
- Mortgages						
- Pledges						
- Unsecured guarantees					901	450
- Derivatives on receivables						
Total	**4**	**4**	**28,851**	**25,171**	**1,990,612**	**1,422,228**

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Financial assets held to maturity (former Item 50 IAS 39)

There were no amounts in this section.

Loans and receivables (former Item 60 IAS 39)

(thousands of €)

Breakdown	Total 31/12/2017
Deposits and current accounts	1,539
Factoring receivables	6,698,784
- with recourse	1,245,626
- without recourse	5,453,158
Other loans	681,110
Other assets	-
Total	7,381,433
Total Fv	**7,381,433**

"Due from banks"

(thousands of €)

Breakdown	Total 31/12/2017			
	Book Value	Fair Value		
		L 1	L 2	L 3
1. Deposits and current accounts	1,539	-	-	1,539
2. Loans	167,742	-	-	167,742
2.1 Repurchase agreements	-	-	-	-
2.2 Financial leasing	-	-	-	-
2.3 Factoring	167,742	-	-	167,742
- with recourse	142,505	-	-	142,505
- without recourse	25,237	-	-	25,237
2.4 Other loans	-	-	-	-
3. Debt securities	-	-	-	-
- structured securities	-	-	-	-
- other debt securities	-	-	-	-
4. Other assets	-	-	-	-
Total	**169,281**	**-**	**-**	**169,281**

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.

"Due from financial institutions"

(thousands of €)

Breakdown	Total 31/12/2017					
	Book Value			Fair Value		
	Performing	Impaired		L 1	L 2	L 3
		Purchased	Other			
1. Deposits and current accounts	50,829	-	628	-	-	51,457
2. Loans	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-
2.2 Financial leasing	50,829	-	628	-	-	51,457
2.3. Factoring	28,180	-	620	-	-	28,800
- with recourse	22,649	-	8	-	-	22,657
- without recourse	-	-	-	-	-	-
2.4 Other loans	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-
4. Other assets	-	-	-	-	-	-
Total	**50,829**	**-**	**628**	**-**	**-**	**51,457**

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

"Due from customers"

(thousands of €)

Breakdown	Total 31/12/2017					
	Book Value			Fair Value		
	Performing	Impaired		L 1	L 2	L 3
		Purchased	Other			
1. **Loans**	6,912,048	-	248,647	-	-	7,160,695
1.1 Financial leasing	-	-	-	-	-	-
of which: without final purchase option	-	-	-	-	-	-
1.2 Factoring	6,230,938	-	248,647	-	-	6,479,585
- with recourse	928,082	-	146,239	-	-	1,074,321
- without recourse	5,302,856	-	102,408	-	-	5,405,264
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	681,110	-	-	-	-	681,110
of which: from enforcement of guarantees and commitments	-	-	-	-	-	-
2. Debt securities	-	-	-	-	-	-
2.1 structured securities	-	-	-	-	-	-
2.2 other debt securities	-	-	-	-	-	-
3. Other assets	-	-	-	-	-	-
Total	**6,912,048**	**-**	**248,647**	**-**	**-**	**7,160,695**

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

"Loans and receivables": guaranteed assets

(thousands of €)

Breakdown	Total 31/12/2017					
	Due from banks		Due from financial institutions		Due from customers	
	VE	VG	VE	VG	VE	VG
1. **Performing assets guaranteed by:**						
- Leased assets						
- Factoring receivables	142,244	142,244	24,677	24,677	968,267	965,537
- Mortgages					2	2
- Pledges						
- Unsecured guarantees	51	51			685,618	478,045
- Derivatives on receivables						
2. **Impaired assets guaranteed by:**						
- Leased assets						
- Factoring receivables			612	612	143,550	143,549
- Mortgages						
- Pledges						
- Unsecured guarantees					3,533	3,263
- Derivatives on receivables						
Total	**142,295**	**142,295**	**25,289**	**25,289**	**1,800,970**	**1,590,396**

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

Section 5 – Hedging derivatives
There were no amounts in this section.

Section 6 – Change in value of financial assets recorded as part of a generic hedge
There were no amounts in this section.

Section 7 – Equity investments
There were no amounts in this section.

Section 8 – Tangible assets

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

(thousands of €)

Items/Amounts		Total 31/12/2018	Total 31/12/2017
1.	**Assets owned**	**18,188**	**17,976**
a)	land	13,186	13,186
b)	buildings	3,617	3,991
c)	furniture	36	88
d)	IT equipment	419	672
e)	other	930	39
2.	**Assets purchased under financial lease**	**-**	**-**
a)	land		-
b)	buildings		-
c)	furniture		-
d)	IT equipment		-
e)	other		-
	Total	**18,188**	**17,976**
of which: obtained through enforcement of guarantees received			

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

(thousands of €)

Assets/Balances		Total 31/12/2018				Total 31/12/2017			
		Book Value	Fair Value			Book Value	Fair Value		
			L1	L2	L3		L1	L2	L3
1.	**Assets owned**	**2,597**	**-**	**2,597**	**-**	**2,724**	**-**	**2,724**	**-**
a)	land	1,030	-	1,030	-	1,030	-	1,030	-
b)	buildings	1,567	-	1,567	-	1,694	-	1,694	-
2.	**Assets purchased under financial lease**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a)	land	-	-	-	-	-	-	-	-
b)	buildings	-	-	-	-	-	-	-	-
	Total	**2,597**	**-**	**2,597**	**-**	**2,724**	**-**	**2,724**	**-**
of which: obtained through enforcement of guarantees received		-	-	-	-	-	-	-	-

“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.

8.3 Tangible assets for business use: breakdown of revalued assets
There were no amounts in this section.

8.4 Tangible assets held for investment: breakdown of assets measured at fair value
There were no amounts in this section.

8.5 Inventories of tangible assets regulated by IAS 2: breakdown
There were no amounts in this section.

8.6 Tangible assets for business use: changes during the year

(thousands of €)

		Land	Buildings	Furniture	IT equipment	Other	Total
A.	**Gross opening balance**	**13,186**	**12,459**	**1,787**	**7,226**	**40**	**34,698**
	A.1 Net reductions in total amounts	-	(8,468)	(1,699)	(6,555)	-	(16,722)
	A.2 **Net opening balances**	**13,186**	**3,991**	**88**	**672**	**40**	**17,976**
B.	**Increases**	-	-	26	1,278	890	2,193
	B.1 Purchases				129		**129**
	B.2 Capitalized improvement expenses						-
	B.3 Write-backs						-
	B.4 Positive fair value changes booked to:	-					-
	a) equity						-
	b) income statement						-
	B.5 Exchange gains						-
	B.6 Transfer from properties held for investment purposes			X	X	X	-
	B.7 Other changes			26	1,149	890	**2,064**
C.	**Decreases**	-	**374**	**78**	**1,530**	-	**1,981**
	C.1 Sales			26	1,149		**1,175**
	C.2 Depreciation		374	52	380		**806**
	C.3 Impairment charges booked to:	-	-	-	-	-	-
	a) equity						-
	b) income statement						-
	C.4 Negative fair value changes booked to:	-	-	-	-	-	-
	a) equity						-
	b) income statement						-
	C.5 Exchange losses						-
	C.6 Transfer to:	-	-	-	-	-	-
	a) property, plant and equipment held for investments purposes			X	X	X	-
	b) non-current assets and disposal groups held for sale						-
	C.7 Other decreases						-
D.	**Net closing balances**	**13,186**	**3,617**	**36**	**419**	**930**	**18,188**
	D.1 Net reductions in total amounts	-	- 8,842	- 1,726	- 5,787	-	- **16,354**
	D.2 **Gross closing balance**	**13,186**	**12,459**	**1,762**	**6,206**	**930**	**34,543**
E.	Valuation at cost	**13,186**	**3,617**	**36**	**419**	**930**	**18,188**

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

8.7 Tangible assets held for investment: changes during the year

(thousands of €)

			Total	
			Land	Buildings
A.	**Opening balance**		**1,030**	**1,694**
B.	**Increases**		**-**	**-**
	B.1	Purchases		
	B.2	Capitalized improvement expenses		
	B.3	Net positive fair value changes		
	B.4	Value adjustments for impairment		
	B.5	Exchange losses		
	B.6	Transfers from properties for business use		
	B.7	Other changes		
C.	**Decreases**		**-**	**127**
	C.1	Sales		
	C.2	Depreciation		127
	C.3	Net negative fair value changes		
	C.4	Value adjustments for impairment		
	C.5	Exchange losses		
	C.6	Transfers from:		
		a) properties for business use		
		b) non-current assets and disposal groups held for sale		
	C.7	Other changes		
D	**Closing balance**		**1,030**	**1,567**
E.	Measurement at fair value		**1,030**	**1,567**

The tangible assets held for investment of the company are all measured at cost.
In the financial statements, the value of the land is separated from the company's property located in Milan (Via Vittor Pisani), based on the estimate of the company that 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.

8.8 Inventories of tangible assets regulated by IAS 2: changes during the year
There were no amounts in this section.

8.9 Commitments to purchase tangible assets
There were no amounts in this section.

Tangible assets: depreciation

Categories	Depreciation percentage
Land	no depreciation
Buildings	from 1,25% to 10%
Furniture	12%
IT equipment	from 11,11% to 33,33%
Other	from 14,29% to 25%
Other : works of art	no depreciation

Section 9 – Intangible assets

9.1 Intangible assets: breakdown

(thousands of €)

Items/Amounts	Total 31/12/2018		Total 31/12/2017	
	Assets valued at cost	Assets valued at fair value	Assets valued at cost	Assets valued at fair value
1. Goodwill			-	-
2. Other intangible assets:				
2.1 owned	**10,520**	**-**	**9,985**	-
- generated internally	1,949		1,834	-
- other	8,571		8,151	-
2.2 acquired under financial lease			-	-
Total 2	**10,520**	-	**9,985**	-
3. Assets pertaining to financial lease:				
3.1 unopted assets			-	-
3.2 assets withdrawn following termination			-	-
3.3 other assets			-	-
Total 3	-	-	-	-
4. Assets granted under operating lease			-	-
Total (1+2+3+4)	**10,520**	**-**	**9,985**	**-**
Total	**10,520**	**-**	**9,985**	**-**

The IT costs attributable to internal software development projects amount to EUR 1,949 thousand.
The intangible fixed assets also include “software licenses” for EUR 458 thousand (EUR 428 thousand in 2017) and “software development” for EUR 8,113 thousand (EUR 9,557 thousand in 2017).

9.2 Intangible assets: changes during the year

(thousands of €)

	Total
A. Opening balances	**3,266**
B. Increases	**3,266**
B.1 Purchases	-
B.2 Write-backs	
B.3 Fair value positive changes	-
- equity	
- income statement	
B.4 Other changes	
C. Decreases	**2,732**
C.1 Sales	
C.2 Depreciation	2,556
C.3 Value adjustments	-
- equity	
- income statement	
C.4 Negative fair value changes	-
- equity	
- income statement	
C.5 Other decreases	176
D. Net closing balances	**10,519**

The purchases during the year, amounting to EUR 3,266 thousand, refer to capitalisations of IT costs, of which EUR 66 thousand (26 thousand in 2017) refer to capitalisations of internal effort to be amortised.

9.3 Intangible assets: other information

Value adjustments to intangible assets: amortisation

Category	depreciation percentage
Software	from 12,5% to 33,3%
Costs of conversion	12.5%
Cost of implementation	33.3%
Costs for regulatory constraints	directly charged to the income statement

Section 10 – Tax assets and tax liabilities

10.1 Tax assets: current and prepaid: breakdown

(thousands of €)

	31/12/2018				31/12/2017			
	IRES	IRAP	ALTRE	TOTALE	IRES	IRAP	ALTRE	TOTALE
Current tax assets:								
- Tax advances	9,386	2,653		12,039	10,145	3,076		13,221
- Amounts withheld	15			15	12	-	-	12
- Tax credits pending rebate by the tax authorities	2,215			2,215	2,215	-	-	2,215
	11,616	**2,653**	**-**	**14,269**	**12,372**	**3,076**	**-**	**15,448**
Prepaid tax assets:								
- Writedowns of credits exceeding the deductible portion for the year	39,166	5,006		44,172	31,100	3,378	-	34,478
- Provisions for risks and charges	4,331	73		4,404	4,401	61	-	4,462
- Other	345			345	145	-	-	145
	43,842	**5,079**	**-**	**48,921**	**35,646**	**3,439**	**-**	**39,085**
Total	**55,458**	**7,732**	**-**	**63,190**	**48,018**	**6,515**	**-**	**54,533**

10.2 Tax liabilities: current and deferred: breakdown

(thousands of €)

	31/12/2018			31/12/2017		
	ires	irap	totale	ires	irap	totale
Current tax liabilities:						
- Taxes for the year	10,626	2,689	13,315	9,393	2,500	11,893
	10,626	**2,689**	**13,315**	**9,393**	**2,500**	**11,893**
Deferred tax liabilities:						
- Amortisation/depreciation of tangible fixed assets	1,548	312	1,860	1,548	312	1,860
- Capital Gain on participations	49	198	247	49	198	247
- Others	286	-	286	-	-	-
	1,883	**510**	**2,393**	**1,597**	**510**	**2,107**
Total	**12,509**	**3,199**	**15,708**	**10,990**	**3,010**	**14,000**

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balance	**38,940**	**42,026**
2. Increases	**11,560**	**1,058**
2.1 Deferred tax assets recognized during the year	11,533	990
a) related to previous years		-
b) due to change in accounting policies	10,810	
c) write-backs		
d) other	723	990
2.2 New taxes or increases in tax rates		
2.3 Other increases	27	68
3. Decreases	**1,924**	**4,144**
3.1 Deferred tax assets eliminated during the year	1,924	4,144
a) reversals	1,924	4,144
b) written down as now considered irrecoverable		
c) change in accounting policies		
d) other		-
3.2 Reductions in tax rates		
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Law 214/2011		
b) other	-	-
4. Closing balance	**48,576**	**38,940**

Prepaid tax assets have been recorded in the financial statements based on the assumption that taxable income will be generated against which the deductible timing differences can be used.

The increase of EUR 11,560 thousand includes EUR 10,811 thousand for the application of the new IFRS 9 accounting standard and EUR 750 thousand for provisions for charges; the decrease of EUR 1,924 thousand is due for EUR 1,077 thousand to the reversal of 1/10 of the above-mentioned effect for the first-time adoption of IFRS 9, while EUR 847 thousand refers to the use of provisions for charges.

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
1. Opening balance	**34,478**	**37,648**
2. Increases		**-**
3. Decreases	**-**	**3,170**
3.1 Amounts reversed		3,170
3.2 Transformation into tax credits	-	-
a) from losses for the year		
b) from tax losses		
3.3 Other decreases	-	-
4. Closing balance	**34,478**	**34,478**

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

(thousands of €)

		Total 31/12/2018	Total 31/12/2017
1.	**Opening balances**	**1,860**	**1,861**
2.	**Increases**	**533**	**-**
2.1	Deferred taxes recognized during the year	293	-
	a) relatied to previous years		-
	b) due to change in accounting policies	247	-
	c) other	46	-
2.2	New taxes or increases in tax rates		-
2.3	Other increases	240	-
3.	**Decreases**	**-**	**1**
3.1	Deferred tax liabilities eliminated during the year	-	-
	a) reversals		-
	b) due to change in accounting policies		-
	c) other		-
3.2	Reductions in tax rates		-
3.3	Other decreases		1
4.	**Closing balance**	**2,393**	**1,860**

10.5 Changes in prepaid taxes (matching balance under equity)

(thousands of €)

		Total 31/12/2018	Total 31/12/2017
1.	**Opening balance**	**145**	**106**
2.	**Increases**	**240**	**39**
2.1	Deferred tax assets recognized during the year	-	39
	a) related to previous years		-
	b) due to changes in accounting policies		-
	c) other		39
2.2	New taxes or increases in tax rates		-
2.3	Other increases	240	-
3.	**Decreases**	40	-
3.1	Deferred tax assets eliminated during the year	40	-
	a) reversals	40	-
	b) written down as now considered irrecoverable		-
	c) due to changes in accounting policies		-
	d) other		-
3.2	Reductions in tax rates		-
3.3	Other decreases		-
4.	**Closing balance**	**345**	**145**

10.6 Changes in deferred taxes (matching balance under equity)

(thousands of €)

		Total 31/12/2018	Total 31/12/2017
1.	**Opening balance**	**247**	**278**
2.	**Increases**	**-**	
2.1	Deferred tax liabilities recognized 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**	**247**	**31**
3.1	Deferred taxes cancelled during the year	247	31
	a) reversals		
	b) due to change in accounting policies	247	
	c) other		31
3.2	Reductions in tax rates		
3.3	Other decreases		-
4.	**Closing balance**	**-**	**247**

Section 11 – Non-current assets and groups of assets undergoing disposal and associated liabilities

There were no amounts in this section.

Section 12 – Other assets

12.1 Other assets: breakdown

(thousand of €)

	31/12/2018	31/12/2017
Guarantee deposits	8	9
Amounts receivable for supply of services/advance payments	70	88
Loans to INPS	-	-
Items in transit	349	43
Securities credited to customers subject to collection services awaiting collection from the ban	36,978	1,506
Other amounts receivable	11,711	12,601
Total	**49,116**	**14,247**

LIABILITIES

Section 1 – Financial liabilities at amortised cost

1.1 Financial liabilities at amortised cost: breakdown by product of payables

(thousands of €)

Items	Total 31/12/2018		
	due to banks	due to financial	due to customers
1. Loans	5,905,597	347,376	-
1.1. Reverse repurchase agreements	-	-	-
1.2 other	5,905,597	347,376	-
2. Other payables	400,692	-	315,797
Total	**6,306,289**	**347,376**	**315,797**
Fair value - level 1			
Fair value - level 2			
Fair value - level 3	6,306,289	347,376	315,797
Total fair value	6,306,289	347,376	315,797

Payables due to banks are almost entirely represented by the exposure to the Parent Company BNP Paribas. Other payables concern the current account exposure to BNL and payables due to transferors for the portion of the fee not advanced relating to loans/receivables without recourse. Due to financial institutions include payables due to third parties for the portion of loan of securitisation transactions.

1.2 Financial liabilities at amortised cost: breakdown by product of securities issued

(thousands of €)

Type of securities/Amounts	Total 31/12/2018			
	VB	Fair Value		
		L1	L2	L3
A. Securities				
1. bonds	**-**	**-**	**-**	**-**
1.1 structured				
1.2 others				
2. other securities	**346,540**	**-**	**-**	**346,540**
2.1 structured				
2.2 others	346,540	-	-	346,540
Total	**346,540**	**-**	**-**	**346,540**

The table shows the securities issued as part of the securitisation transactions, limited to the part not financed by Ifitalia (see part D section 2 for further details).

1.3 Subordinated payables and securities

There were no amounts in this section.

1.4 Structured securities

There were no amounts in this section.

1.5 Finance lease payables

There were no amounts in this section.

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Payables (former Item 10 IAS 39)

(thousands of €)

Items	Total 31/12/2017		
	due to banks	due to financial institutions	due to customers
1. Loans	5,530,969	172	-
1.1. Reverse repurchase agreements			
1.2 other	5,530,969	172	
2. Other payables	500,530	-	290,492
Total	**6,031,499**	**172**	**290,492**
Fair value - level 1			
Fair value - level 2			
Fair value - level 3	6,031,499	172	290,492
Total fair value	**6,031,499**	**172**	**290,492**

Payables due to banks are almost entirely represented by the exposure to the Parent Company BNP Paribas. Other loans due to banks concern loans falling due. Other payables to customers concern the payables due to transferors for the portion of the fee not advanced relating to without recourse loans/receivables.

Subordinated payables

There were no amounts in this section.

Securities issued (former Item 20 IAS 39)

Type of securities/Amounts	Total 31/12/2017			
	VB	Fair Value		
		L1	L2	L3
A. Securities				
1. bonds				
2. other securities	256,900			256,900
Total	**256,900**	**-**	**-**	**256,900**

Section 2 – Financial liabilities held for trading

2.1 Financial liabilities held for trading: breakdown by product

(thousands of €)

Type of transaction/Amounts	Total 31/12/2018				
	VN	Fair value			Fair value*
		L1	L2	L3	
A. Cash liabilities					
1. Deposits					
2. Debt securities	-	-	-	-	-
2.1 Bonds	-	-	-	-	-
2.1.1 Structured					X
2.1.2 Other bonds					X
2.2 Other securities	-	-	-	-	-
2.2.1 Structured					X
2.2.2 Other					X
Total A	-	-	-	-	-
B. Derivative instruments					
1. Financial derivatives	-	-	-	142	-
1.1 Trading	X			142	X
1.2 Fair value option	X			-	X
1.3 Other	X			-	X
2. Credit derivatives	-			-	-
2.1 Trading	X				X
2.2 Fair value option	X				X
2.3 Other	X				X
Total B	X			142	X
Total (A + B)	X			142	X

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3
NV = Nominal/notional value
FV* = Fair value calculated excluding the changes on variation of the creditworthiness of the issuer with respect to the issue date

2.2 Breakdown of financial trading liabilities: subordinated liabilities

There were no amounts in this section.

2.3 Breakdown of financial trading liabilities: structured securities

There were no amounts in this section.

2.4 Breakdown of financial trading liabilities: derivative financial instruments

(thousands of €)

Underlying assets/Derivatives Type	Total 2018			
	Over the counter			Organised Markets
	Central counterparts	without central counterparts: with compensatory agreements	without central counterparts: without compensatory agreements	
1. Debt securities and interest rates				
- Notional value			1,893	
- Fair value			142	
2. Equity securities and financial indices				
- Notional value				
- Fair value				
3. Currencies and gold				
- Notional value				
- Fair value				
4. Loans				
- Notional value				
- Fair value				
5. Goods				
- Notional value				
- Fair value				
6. Others				
- Notional value				
- Fair value				
Total	-	-	142	-

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Financial trading liabilities (former Item 30 IAS 39)
Breakdown of item 30 "Financial trading liabilities"

(thousands of €)

Liabilities	Total 31/12/2017				
	Fair Value			FV	NV
	L1	L2	L3		
A. Cash liabilities	-	-	-	-	-
1. Payables					
3. Debt securities	-	-	-	-	-
- Bonds	-	-	-	-	-
- Structured					
- Other bonds					
- Other securities	-	-	-	-	-
- Structured					
- Other					
B. Derivatives	-	232	-	232	2,493
1. Financial derivatives	-	232	-	232	2,493
2. Loan derivatives					
Total	-	232	-	232	2,493

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

“Financial trading liabilities”: subordinated liabilities
There were no amounts in this section.

“Financial trading liabilities”: derivative financial instruments

(thousands of €)

Liabilities	Interest rates	Currencies	Investment securities	Other	Total 31/12/2017
1. Over the counter					
Financial derivatives					
- Fair value	232				232
- Notional value	2,493				2,493
Loan derivatives					
- Fair value					-
- Notional value					-
Total	232	-	-	-	232
2. Other					
Financial derivatives					
- Fair value					
- Notional value					
Loan derivatives					
- Fair value					
- Notional value					
Total	-	-	-	-	-
Total	**232**	**-**	**-**	**-**	**232**

Section 3 – Financial liabilities at fair value

3.1 Financial liabilities at fair value: breakdown by product
There were no amounts in this section.

3.2 Breakdown of “Financial liabilities at fair value”: subordinated liabilities
There were no amounts in this section.

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Financial liabilities at fair value (former Item 40 IAS 39)
There were no amounts in this section.

Section 4 – Hedging derivatives
There were no amounts in this section.

Section 5 – Change in value of financial liabilities recorded as part of a generic hedge
There were no amounts in this section.

Section 6 – Tax liabilities
See section 12 under assets

Section 7 – Liabilities associated with assets undergoing disposal
There were no amounts in this section.

Section 8 – Other liabilities

8.1 Breakdown of item 80 “Other liabilities”

(thousands of €)

Description	Total 31/12/2018	Total 31/12/2017
Collections being registered	110,628	108,723
Amounts due to employees	1,804	1,030
Amounts due to the tax authorities	662	617
Amounts due to social security and welfare institutions	1,120	1,038
Payables and invoices to be received from suppliers and professionals	20,913	20,974
Liabilities due to transferors	6,219	5,636
Other payables	3,990	6,176
Advances from customers	34,657	28,971
Residual holiday entitlement fund	297	361
Expected loss for without-recourse credit risk recorded among commitments	-	1,531
Total	**180,291**	**175,056**

Deferred income relates to the spreading of commission income on the basis of the duration of the receivables to which they refer.

Section 9 − Employee termination benefits

9.1 “Employee termination benefits”: changes during the year

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
A. Opening balance	**4,740**	**4,912**
B. Increases	**44**	**185**
B.1 Provision for the year	36	43
B.2 Other changes	8	142
C. Decreases	**711**	**357**
C.1 Liquidations	566	343
C.2 Other changes	145	14
D. Closing balance	**4,073**	**4,740**

(*) The provision for employment termination benefits calculated in compliance with Article 2120 of the Italian Civil Code equals EUR 3,855,578 and represents the effective obligation towards employees. The allocation for the year is EUR 104,095.

9.2 Other information

11.2.1 Description of the provision and related risks

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 financial statements based on 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 Budget Act) essentially states that the portion of employee termination benefits:

- accrued through the beginning of 2007 will remain in-house and must be disbursed to employees in accordance with statutory regulations, creating a liability to be recorded in the financial statements;
- accrued from the beginning of 2007 must, according to the employee’s choice: a) be transferred to supplementary welfare funds; or b) be transferred 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" of the service supplied. As a result, costs relating to future work provided are not considered for valuation purposes.
The current method for calculating employee termination benefits starts from the detailed situation, at the moment of entry, of each worker and envisages each year, for each individual worker up until his/her departure, the development of the provision due to:

1. the expected date of termination of the employment relationship, resignation, redundancy, death, inability to work or retirement (once the requirements have been met);
2. for each worker that remains within the workforce, potential requests for advance salary payments are also taken into account.

11.2.2 Changes during the year of net defined benefit liabilities (assets) and reimbursement rights

The change in the provision for employee termination benefits is shown in Section 11 "Employee termination benefits - Item 110 - table 11.1 "Employee termination benefits: changes during the year". The allocation for the year represents the change due to the passage of time and is equivalent to EUR 36 thousand.
The social security cost related to employment benefits, as illustrated above, is not set aside, but recorded directly in the income statement following the supplementary welfare reform, which provides for the allocation of accrued employee termination benefits to supplementary funds or the INPS Treasury Fund (Legislative Decree no. 252/2005 and Law no. 296/2006). The allocation for the year is recorded in the income statement under personnel costs.

11.2.3 Information on the fair value of assets serving the plan

Employee termination benefits are fully paid by the Company and there are no assets serving the plan.

11.2.4 Description of the principal actuarial assumptions

The liability recognised in the balance sheet is equal to the present value of the defined benefit obligations accrued as at 31 December 2018 estimated by an independent actuary.
The benefits owed by the Company were estimated based on developmental assumptions for the population of relevant personnel (forecast of length of employment with company, probability of early disbursements), in addition to the use of appropriate demographic and economic financial bases (mortality tables, monetary inflation). For 2018, the following parameters were used: discount rate of 1.2%; inflation rate of 1.8%; 2.2% salary increase; estimated employment duration of 11 years.

Section 10 – Provisions for risks and charges

10.1 Provisions for risks and charges: breakdown

(thousands of €)

Items	Totale 31/12/2018	Totale 31/12/2017
1. Provisions for credit risk relating to commitments and guarantees issued	1.647	-
2. Provisions on other commitments and other guarantees issued		
3. Post retirement benefit obligations		
4. Other provisions for risks and charges	13.056	13.577
4.1 legal and tax disputes	10.700	9.930
4.2 personnel expenses	2.356	3.647
4.3 other		
Total	**14.703**	**13.577**

10.2 Provisions for risks and charges: changes during the year

(thousands of €)

	Provisions on other commitments and other guarantees issued	Post retirement benefit obligations	Other provisions for risks and charges	Total
A. Opening balance	-	-	**13,577**	**13,577**
B. Increases	-	-	**2,399**	**2,399**
B.1 Provision for the year			2,394	2,394
B.2 Changes due to the passing of time			5	5
B.3 Changes due to the changes in the discount rate				-
B.4 Other changes				-
C. Decreases	-	-	**2,920**	**2,920**
C.1 Utilisations for the year			2,920	2,920
C.2 Changes due to the changes in the discount rate				-
C.3 Other changes				-
D. Closing balance	-	-	**13,056**	**13,056**

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

(thousands of €)

	Provisions for credit risk relating to commitments and guarantees issued			
	First level	Second level	Third Level	**Total**
1. Commitments to disburse funds				**-**
2. Financial guarantees issued	232	132	1283	**1,647**
Total	**232**	**132**	**1,283**	**1,647**

10.4 Provisions on other commitments and other guarantees given

There were no amounts in this section.

10.5 Defined benefit in-house pension funds

There were no amounts in this section.

10.6 Provisions for risks and charges - other provisions

(thousands of €)

	31/12/2018	**31/12/2017**
Personnel provisions:		
- redundancy incentive	500	2,000
- other employee benefits	1,856	1,647
Total	**2,356**	**3,647**

Provisions for employee benefits, referred to as "other employee benefits", represent the provisions that the Company has recorded in the financial statements in relation to employee incentive plans.
These plans are related to the achievement of results both at company level and at the level of the individual employee, therefore the related provisions reflect the estimate that management has prepared on the basis of the company's strategic objectives for the year 2018.

Section 11 – Equity

Summary

(thousands of €)

SHAREHOLDERS' EQUITY		**31/12/2018**	**31/12/2017**
110.	Valuation reserves	4,960	8,177
140.	Reserves	555,673	539,695
	a) income reserves	562,702	528,117
	b) other reserves	-7,029	11,578
150.	Share premium	61,799	61,799
160.	Share capital	55,900	55,900
180	*Profit (loss) for the year*	33,573	34,579
	Total shareholders' equity	***711,905***	***700,150***

11.1 Share Capital: breakdown

(thousands of €)

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

The share capital amounts to EUR 55,900 thousand and is made up of 55,900,000 shares with a par value of EUR 1 each. The ordinary shares totalling 55,900,000 have been fully subscribed and paid up.

11.2 Treasury shares: breakdown
There were no amounts in this section.

11.3 Equity instruments: breakdown
There were no amounts in this section.

11.4 Share Premium: breakdown

(thousands of €)

Type	Amount
Share premium	
Share premium from ordinary shares	61,799

The share premium has not changed with respect to 31 December 2017.

11.5 Other information

Breakdown and changes in Reserves

(migliaia di euro)

	Legal reserve	Statutory reserve	Other	Total
A. Opening balance	**11,180**	**516,937**	**11,573**	**539,690**
B. Increases	**-**	**34,200**	**3,707**	**37,907**
B.1 Allocations of profits		34,200	385	34,585
B.2 Other changes			3,322	3,322
C. Decreases	**-**	**-**	**21,924**	**21,924**
C.1 Utilisations	-	-	-	-
hedging of losses				-
distribution				-
transfer to capital				-
C.1 Other changes			21,924	21,924
D. Closing balance	**11,180**	**551,137**	**(6,644)**	**555,673**

Breakdown and changes in Valuation reserves

(thousands of €)

	Financial assets at fair value through other comprehensive income	Tangible assets	Intangible assets	Hedging of financial flows	Special revaluation laws	Financial liabilities at fair value with an impact on income statement (changes of creditworthiness)	Other	Total
A. Opening balances	-	-	-	-	5,870	-	(1,015)	4,855
B. Increases	3,322	-	-	-	-	-	105	3,427
B.1 Positive fair value changes								-
B.2 Other increases							105	105
C. Decreases	3,322	-	-	-	-	-	-	3,322
C.1 Negative fair value changes								-
C.1 Other decreases	3,322	-	-	-	-	-	-	3,322
D. Closing balances	-	-	-	-	5,870	-	(910)	4,960

The "Other" column refers to defined benefit plans.

(thousands of €)

Ifitalia S.p.A. - Financial Statements as at 31 December 2018

	Amount	Potential use		Amount available
Share capital	55,900	-	-	-
Capital reserve:				
Share premium reserve	61,799	A-B-C	-	61,799
Profit reserve:				
Legal reserve	11,180	B		
Statutory reserve	551,522	A-B-C	-	551,522
Other reserve:				
Stock options/Dspp/Freeshares reserve	102	A-B-C	-	102
FTA Reserve and Goodwill	(8,160)	A-B-C	-	(8,160)
Merger surplus	1,029	A-B-C	-	1,029
Valuation reserve	4,960	-	(1)	-
Profit for the year	33,573	A-B-C	-	33,573
Total	**711,905**	**-**	**-**	**639,865**
Non-distributable share	**72,040**			
Minority shareholder's equity	**10**			
Residual distributable share	**639,865**			**639,865**

Key:

A: share capital increase

B: coverage of losses

C: per distribuzione ai soci

(1) As provided for by art. 6 of Legislative Decree no. 38 of 28 February 2005, the valuation reserves formed in accordance with IAS cannot 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

With regard to the provisions of Article 2427 no. 7-bis of the Italian Civil Code, 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.

Section 12 – Non-controlling interests

12.1 Breakdown of item 180 "Non-controlling interests"

(thousands of €)

Items/Value	Total 2018
1 - Share capital	10
2 - Ordinary Shares	
3 - Capital Instruments	
4 - Share premium	
5 - Reserve	
6 - Valuation reserve	
7 - Profit /Loss for the year	
Total	10

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Section 13 – Non-controlling interests

13.1 Breakdown of item 180 "Non-controlling interests"

(thousands of €)

Items/Value	Total 2017
1 - Share capital	10
2 - Ordinary Shares	
3 - Capital Instruments	
4 - Share premium	
5 - Reserve	
6 - Valuation reserve	
7 - Profit /Loss for the year	
Total	10

Other information

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

(thousand of €)

	Nominal value on commitments and financial guarantees issued			Total 2018	Total 2017
	First level	Second level	Third level		
1. Commitments to disburse funds	**242,231**	**-**	**25,000**	**267,231**	221,190
a) Public Administrations	-	-	-	-	-
b) Banks	-	-	-	-	-
c) Other financial companies	-	-	-	-	-
d) Non-financial companies	242,231	-	25,000	267,231	221,190
e) Households	-	-	-	-	-
2. Financial guarantees issued	**145,526**	**11,384**	**385**	**157,295**	142,408
a) Public Administrations	17	1	-	18	-
b) Banks	8,292	1	-	8,293	10,057
c) Other financial companies	4	2	-	6	6
d) Non-financial companies	132,371	10,543	338	143,252	132,345
e) Households	4,842	837	47	5,726	-

2. Other commitments and other guarantees given

There were no amounts in this section.

3. Financial assets subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

4. Financial liabilities subject to offsetting in financial statements, or subject to framework offsetting agreements or similar agreements

There were no amounts in this section.

5. Securities lending

There were no amounts in this section.

6. Information on joint control assets

There were no amounts in this section.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest

1.1 Interest and similar income: breakdown

(thousands of €)

Items/Technical forms	Debt securities	Loans	Other transactions	**Total 31/12/2018**
1. Financial assets at fair value through profit or loss:	-	-	-	-
1.1 Financial assets held for trading				-
1.2 Financial assets designated at fair value				-
1.3 Other financial assets mandatorily measured at fair value				-
2. Financial assets at fair value through other comprehensive income:			X	-
3. Financial assets measured at amortised cost:	-	60,625	-	60,625
3.1 Loans to banks		322	X	322
3.2 Loans to financial companies		3,369	X	3,369
3.2 Loans to customers		56,934	X	56,934
4. Hedging derivatives	X	X		-
5. Other assets	X	X		-
6. Financial liabilities	X	X	X	11,159
Total	**-**	**60,625**	**-**	**71,784**
of which: interest income on impaired financial assets		7,509		

1.2 Interest and similar income: other information

The interest in item "3. Financial assets at amortised cost" essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.
Interest income also includes any interest contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue. As at 31 December 2018, this item amounted to EUR 11,159 thousand.

1.2.1 Interest income on foreign currency financial assets

Interest income on foreign currency financial assets totalled EUR 3,709 thousand and refers to loans to customers.

1.2.2 Interest income on financial lease transactions

There were no amounts in this section.

1.3 Interest and similar expense: breakdown

(thousands of €)

Items/Technical forms	Deposits	Securities	Other transactions	**Total 31/12/2018**
1. Financial liabilities measured at amortised cost:	5,774	-	-	5,774
1.1 Deposits from banks	3,787	X	X	3,787
1.2 Deposits from financial companies	1,987	X	X	1,987
1.3 Deposits from customers		X	X	-
1.4 Securities issued	X		X	-
2. Financial liabilities held for trading				-
3. Financial liabilities designated at fair value				-
4. Other liabilities	X	X	-	-
5. Hedging derivatives	X	X	-	-
6. Financial assets	X	X	X	-
Total	**5,774**	**-**	**-**	**5,774**

1.4 Interest and similar expense: other information

Interest paid to banks consists of interest paid on funding received.
Interest paid to financial businesses is related to securitisation activities.

1.4.1 Interest expense on foreign currency liabilities

Interest expense on foreign currency liabilities amounted to EUR 2.9 million and refers mainly to foreign currency funding transactions.

1.4.2 Interest expense on financial lease transactions

There were no amounts in this section.

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Breakdown of “Interest and similar income” (former Item 10 IAS 39)

(migliaia di euro)

Items/Technical forms	**Debt securities**	**Loans**	**Other transactions**	**Total 31/12/2017**
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. Loans				-
5.1 Loans banks		159	388	547
5.2 Loans to financial institutions		2,001		2,001
5.3 Loans to customers		56,308	4,972	61,280
6. Other assets	X		-	-
7. Hedging derivatives	X	X		-
Total	**-**	**58,468**	**5,360**	**63,828**

As at 31 December 2017, 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 3,885 thousand.

Interest and similar income: other information

The interest in item "5. Loans and receivables" essentially refers to interest accrued for factoring activities on payments, advances to transferors and on extensions granted to factored debtors.

Breakdown of "Interest and similar expense" (former Item 20 IAS 39)

(thousands of €)

Items/Technical forms	Loans	Debt	Other	Total 31/12/2017
1. Deposits from banks	4,238	X		4,238
2. Deposits from financial companies	190	X		190
3. Deposits from 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	**4,428**	**-**	**-**	**4,428**

As at 31 December 2017 this included interest expense with negative rates for EUR 7,756 thousand.

Section 2 – Commissions

2.1 Commission income: breakdown

(thousands of €)

Types of service/Amounts	**Total 31/12/2018**	**Total 31/12/2017**
a) financial lease transactions		
b) factoring transactions	53,692	57,529
c) consumer credit		
d) guarantees given		
e) services:	-	-
- fund management for third parties		
- exchange brokerage		
- distribution of products		
- other		
f) collection and payment services		
g) servicing in securitisation transactions		
h) other commission		
Total	**53,692**	**57,529**

The following table shows the opening of commission income by type:

(thousands of €)

Type	**Total 31/12/2018**
Management commissions	22,296
Guarantee commissions	23,591
Other	7,805
Total	**53,692**

2.2 Commission expense: breakdown

(thousands of €)

Detail/Sectors	Total 31/12/2018	Total 31/12/2017
a) guarantees received	1,181	1,085
b) distribution of services to third parties	-	-
c) collection and payment services	795	1,419
d) other commission of brokerage	11,065	10,232
Totale	**13,041**	**12,736**

Section 3 – Dividends and similar income

3.1 Dividends and similar income: breakdown

(thousands of €)

Items/Income	Total 31/12/2018	
	Dividends	Similar Income
A. Financial assets held for trading		
B. Other financial assets mandatorily measured at fair value	59	
C. Financial assets at fair value through other comprehensive income		
D. Equity investments		
Total	**59**	**-**

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Breakdown of "Dividends and similar income" (former Item 50 IAS 39)

(thousands of €)

Items/Income	Totale 31/12/2017	
	Dividends	**Income from UCI units**
A. Financial assets held for trading	-	-
B. Other financial assets mandatorily measured at fair value	27	-
C. Financial assets at fair value through other comprehensive income	-	-
D. Equity investments		-
Total	**27**	**-**

Section 4 – Net trading profit (loss)

4.1 Net trading profit (loss): breakdown

(thousands of €)

Transactions/Income components	Capital gains (A)	Profit on trade (B)	Capital losses (C)	Loss on trade (D)	**Net result [(A+B) - (C+D)]**
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities					-
1.2 Equity instruments					-
1.3 UCI units					-
1.4 Loans					-
1.5 Other					-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities					-
2.2 Deposits					-
2.3 Other					-
3. Financial assets and liabilities: exchange differences	X	X	X	X	(36)
4. Derivative instruments	**90**	**-**	**-**	**-**	**90**
4.1 Financial derivatives	90				90
4.2 Credit derivatives					-
of which: natural hedging related to the fair value option	X	X	X	X	
Total	**90**	**-**	**-**	**-**	**54**

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

(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 rat	**-**	**-**	**(356)**	**-**	**(356)**
4. Financial derivatives	**126**	-			**126**
5. Derivatives on receivables	**-**	**-**			**-**
Total	**126**	**-**	**(356)**	**-**	**(230)**

Section 5 – Net result from hedging activities

There were no amounts in this section.

Section 6 – Gain (loss) on disposal or repurchase

There were no amounts in this section.

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Gain (Loss) on disposal or repurchase (former Item 90 IAS 39)
There were no amounts in this section.

Section 7 - Net result of other financial assets and liabilities at fair value through profit or loss

7.1 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets and liabilities at fair value
There were no amounts in this section.

7.2 Net change in value of other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(Thousands of €)

Transactions/Income components	Capital Gains (A)	Gains on disposal (B)	Capital Losses (C)	Losses on disposal (D)	**Net Result** [(A+B) − (C+D)]
1. Financial assets	**-**	**-**	**368**	**-**	**368**
1.1 Debt securities					**-**
1.2 Equity instruments			368		**368**
1.3 UCI units					**-**
1.4 Loans					**-**
2. Financial assets in currency: foreign exchange differences	X	X	X	X	
Total	-	-	368	-	368

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Net result of other assets and liabilities at fair value (former Item 80 IAS 39)

There were no amounts in this section.

Section 8 – Net value adjustments/write-backs due to credit risk

8.1 Net value adjustments/write-backs due to credit risk relating to financial assets at amortised cost: breakdown

(thousands of €)

Transactions/Income components	Value adjustments (1)			Writebacks (2)		Total
	First and second level	Third level		First and second level	Third level	31/12/2018
		Write-off	Other			
1. Loans to banks	-12	-	-	-	-	-12
impaired loans acquired or originated	-	-	-	-	-	-
- for leasing						-
- for factoring						-
- other loans						-
Other loans	**-12**	-	-	-	-	**-12**
- for leasing						-
- for factoring	-12	-	-	-	-	**-12**
- other loans	-	-	-	-	-	-
2. Loans to financial companies	-13	-	-	-	1	-12
impaired loans acquired or originated	-	-	-	-	-	-
- for leasing						-
- for factoring						-
- other loans						-
Other loans	**-13**	-	-	-	**1**	**-12**
- for leasing						-
- for factoring	-13				1	**-12**
- other loans	-	-	-	-	-	-
3. Loans to consumers	-	-1,994	-22,055	533	13,658	-9,858
impaired loans acquired or originated	-	-	-	-	-	-
- for leasing						-
- for factoring						-
- for consumer credit						-
- other loans						-
Other loans	-	**-1,994**	**-22,055**	**533**	**13,658**	**-9,858**
- for leasing						-
- for factoring		-1,994	-22,055	533	13,658	**-9,858**
- for consumer credit						-
- loans on pledge						-
- other loans	-	-	-	-	-	-
Total	-25	-1,994	-22,055	533	13,659	-9,882

8.2 Net value adjustments/write-backs due to credit risk relating to financial assets at fair value through other comprehensive income: breakdown
There were no amounts in this section.

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Net value adjustments for impairment (former Item 100 IAS)

"Net value adjustments/write-backs for impairment of loans/receivables"

(thousands of €)

Transactions/Income components	Value adjustments		Value writebacks		**Total 31/12/2017**
	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	(304)		1,069		765
- 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	(29,059)	(1,810)	14,199		(16,670)
- for consumer credit					
- loans on pledge					
- other amounts receivable					
C. Total	**(29,363)**	**(1,810)**	**15,268**		**(15,905)**

"Net value adjustments/write-backs for impairment of available-for-sale financial assets"
There were no amounts in this section.

"Net value adjustments/write-backs for impairment of financial assets held to maturity"
There were no amounts in this section.

“Net value adjustments/write-backs for impairment of other financial transactions”

(thousands of €)

Transactions/Income components	Value adjustments		Value writebacks		TOTALE
	Specific	Portfolio	Specific	Portfolio	31/12/2017
A. Guarantees given	(75)	(12)	83		**(4)**
B. Derivatives on receivables					
C. Commitments to grant funds					
D. Other transactions					
E. Total	**(75)**	**(12)**	**83**		**(4)**

Key
A= from interest
B= Other writebacks

Section 9 – Gains/losses from amendments to contracts without derecognition

9.1 Gains (losses) from amendments to contracts: breakdown

There were no amounts in this section.

Section 10 – Administrative expenses

10.1 Personnel expenses: breakdown

Type of expense/Amounts	Total 31/12/2018	Total 31/12/2017
1) **Employees**	16,642	18,786
a) salaries and wages	11,314	11,481
b) social security contributions	3,431	3,453
c) leaving indemnity	-	-
d) social security and welfare costs	-	-
e) provision for termination benefits	36	43
f) provisions for post-retirement benefits and similar obligations:	433	438
- defined contribution	433	438
- defined benefit	-	-
g) payments to external supplementary pension funds:	756	769
- defined contribution	756	769
- defined benefit	-	-
h) other expenses (net)	672	2,602
2) Other active employees	123	115
3) Directors and Statutory Auditors	148	149
4) Staff retirement	-	-
5) Recovery of expenses for employees seconded to other companies	(374)	(405)
6) Expense reimbursements for employees of third parties seconded to the company	2,886	2,901
Total	**19,425**	**21,546**

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10.2 Average number of employees by category

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
a) Employees	**215**	**217**
1) Managers	7	7
2) Middle managers	120	120
3) Remaining employees	88	90
b) Other personnel	**21**	**20**
Total	**236**	**237**

10.3 Other administrative expenses: breakdown

(thousands of €)

Type of expense/Balances	Total 31/12/2018	Total 31/12/2017
Indirect duties and taxes	1,255	1,251
Sundry services rendered by third parties	9,179	8,340
Sundry services rendered by third parties (IT)	8,829	7,970
Sundry services rendered by third parties (Internal Auditing)	350	370
Fees for professionals	3,483	4,736
Fees for consultancy	661	1,258
Fees for legal and notarial costs	2,115	2,623
Fees for debt collection	572	751
Compensation to independent Auditors	135	104
Costs relating to properties/furniture	566	325
Postal, printed matter, surveillance of premises and stock values	1,457	1,666
Management expenses GFCC	484	476
Advertising and entertainment	249	196
Searches and information	1,337	1,411
Other expenses	8,765	7,743
TOTAL	**26,775**	**26,144**

The compensation for services rendered by the audit company in 2018, net of VAT, is EUR 80,000 (EUR 80,000 in 2017)

Section 11 – Net provisions for risks and charges

11.1 Net provisions for credit risk relating to commitments to grant funds and financial guarantees given: breakdown

(thousands of €)

Operations/Income components	Value adjustments		Writebacks		**Total**
	Specific	Portfolio	Specific	Portfolio	**31/12/2018**
A. Guarantees issued	(77)	22	77		**22**
B. Derivatives on receivables					**-**
C. Commitments to grant loans					**-**
D. Other transactions					**-**
E. Total	**(77)**	**22**	**77**		**22**

11.2 Net provisions relating to other commitments and other guarantees given: breakdown

There were no amounts in this section.

11.3 Other net provisions for risks and charges: breakdown

(thousands of €)

Analysis	Total 31/12/2018	Total 31/12/2017
PROVISIONS	**(1,886)**	**(350)**
Legal disputes	**(1,886)**	**(350)**
Revocation actions	(1,036)	(12)
Pending disputes	(850)	(338)
Personnel charges	-	**-**
Other provisions	**-**	**-**
USES	**421**	**1,187**
Legal disputes	**421**	**1,187**
Revocation actions	122	683
Pending disputes	299	504
Personnel charges	-	**-**
Other uses	**-**	**-**
INTEREST FROM DISCOUNTING BACK	**(5)**	**(3)**
Legal disputes	**(5)**	**(3)**
Revocation actions	(1)	-
Pending disputes	(4)	(3)
Total	**(1,470)**	**834**

Section 12 – Net value adjustments/write-backs on tangible assets

12.1 Net value adjustments/write-backs on tangible assets: breakdown

(thousands of €)

Assets/Income component	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A+B)-C**
A. Property, plant and equipment				
A.1 Owned	**933**	**-**	**-**	**933**
- for business use	806			806
- for investment	127			127
- Inventories	X			-
A.2 Acquired under financial lease	**-**	**-**	**-**	**-**
- for business use				-
- for investment				-
A.3 Granted under operating lease				-
Total	**933**	**-**	**-**	**933**

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

13.1 Net value adjustments/write-backs on intangible assets: breakdown

(thousands of €)

Assets/Income components	Depreciation (A)	Value adjustments for impairment (B)	Write-backs (C)	**Net result (A)+(B)-(C)**
1. Intangible assets different from goodwill:	2,556	-	-	2,556
1.1 owned	2,556			2,556
1.2 acquired under financial lease				-
2. Assets pertaining to financial lease				-
3. Assets granted under operating lease				-
Total	**2,556**	**-**	**-**	**2,556**

Section 14 – Other operating income and expenses

14.1 Other operating expenses: breakdown

(thousands of €)

Analysys	**Total 31/12/2018**	**Total 31/12/2017**
Other charges		
Losses for sundry causes		(81)
Other charges	(550)	(867)
Total	**(550)**	**(948)**

14.2 Other operating income: breakdown

(thousands of €)

Analysys	Total 31/12/2018	Total 31/12/2017
Other income		
Rental income	401	481
Other income	2,694	3,147
Total	**3,095**	**3,629**

Section 15 – Profit (Loss) from equity investments
There were no amounts in this section.

Section 16 – Net result of fair value measurement of tangible and intangible assets
There were no amounts in this section.

Section 17 – Goodwill impairment
There were no amounts in this section.

Section 18 – Profit/loss on disposal of investments
There were no amounts in this section.

Section 19 – Income taxes for the year on current operations

19.1 Income taxes for the year on current operations: breakdown

(thousands of

		Total 31/12/2018	Total 31/12/2017
1.	Current taxes (-)	(13,317)	(11,754)
2.	Changes in current taxes of previous years (+/-)	34	-
3.	Reduction in current taxes for the year (+)	148	-
3.bis	Reduction in current taxes for the year for tax credits	-	-
	of which under Law no. 214/2011 (+)	-	-
4.	Change in deferred taxes (+/-)	(1,174)	(3,086)
5.	Change in deferred taxes (+/-)	(46)	-
	Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(14,355)**	**(14,840)**

19.2 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	47,460	47,460
Permanent, undeductible differences	1,118	4,041
Permanent, untaxable differences	(6,111)	
Total taxable income	42,467	51,501
Theoretical tax rate	27.50%	5.55%
Theoretical tax liability/recovery	(11,678)	(2,858)
Other differences	(17)	199
Effective tax liability as per financial statements	**(11,695)**	**(2,659)**

Section 20 – Profit (loss) from discontinued operations after taxes
There were no amounts in this section.

Section 21 – Income statement: other information

21.1 - Detailed breakdown of interest income and commission income

(thousands of €)

Transactions/Income components	Interest income			Commission income			Total 31/12/2018	Total 31/12/2017
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Financial leasing	-	-	-	-	-	-	-	-
- property assets							-	-
- movable assets							-	-
- operating assets							-	-
- intangible assets							-	-
2. Factoring	536	2,871	57,218	(396)	1,175	52,928	114,332	***121,363***
- on current receivables	*536*	*2,801*	*56,831*	*(396)*	*1,175*	*52,462*	113,409	117,833
- on future receivables			*(41)*			*466*	425	282
- on receivables acquired definitely							-	-
- on receivables acquired under nominal value							-	-
- for other loans		*70*	*428*				498	3,248
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans							-	-
- targeted finance							-	-
- loans on salaries							-	-
4. Loans on pledge							-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial							-	-
- financial							-	-
Total	**536**	**2,871**	**57,218**	**(396)**	**1,175**	**52,928**	**114,332**	**121,363**

Total interest income recorded in item 10 of the income statement "Interest and similar income" amounted to EUR 71,784,000 and also includes interest expense contractually charged to Ifitalia that, due to the application of negative funding rates, showed an accounting sign of revenue.

21.2 - Other information
Nothing to report

PART D – OTHER INFORMATION

Section 1 – Specific references to transactions carried out

A. FINANCIAL LEASE
There were no amounts in this section.

B. FACTORING AND TRANSFER OF LOANS/RECEIVABLES

B.1 Gross and book values

B.1.1 Factoring transactions

(thousands of €)

Items/Amount	Total 31/12/2018			Total 31/12/2017		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets	**6,924,791**	**10,893**	**6,913,898**	**6,455,074**	**5,565**	**6,449,509**
- exposures to transferors (with recourse):	890,150	5,510	884,640	1,100,957	2,190	1,098,767
- factoring of future receivables	19,604	25	19,579	29,211	-	29,211
- other	870,546	5,485	865,061	1,071,746	2,190	1,069,556
- exposures to transferred debtors transferors (without recourse	6,034,641	5,383	6,029,258	5,354,117	3,375	5,350,742
2. Impaired assets	**437,028**	**294,763**	**142,265**	**519,462**	**270,187**	**249,275**
2.1 Non-performing	**304,501**	**243,253**	**61,248**	**290,976**	**205,339**	**85,637**
- exposures to transferors (with recourse)	188,990	141,741	47,249	180,121	113,373	66,748
- factoring of future receivables	10,408	6,507	3,901	10,369	6,246	4,123
- other	178,582	135,234	43,348	169,752	107,127	62,625
- exposures to transferred debtors (without recourse)	115,511	101,512	13,999	110,855	91,966	18,889
- purchases below nominal value	-	-	-	-	-	-
- other	115,511	101,512	13,999	110,855	91,966	18,889
2.2 Unlikely to pay	**104,270**	**49,129**	**55,141**	**150,902**	**62,494**	**88,408**
- exposures to transferors (with recourse)	64,612	30,065	34,547	89,200	36,012	53,188
- factoring of future receivables	-	-	-	139	139	-
- other	64,612	30,065	34,547	89,061	35,873	53,188
- exposures to transferred debtors (without recourse)	39,658	19,064	20,594	61,702	26,482	35,220
- purchases below nominal value	-	-	-	-	-	-
- other	39,658	19,064	20,594	61,702	26,482	35,220
2.3 Past due positions	**28,257**	**2,381**	**25,876**	**77,584**	**2,354**	**75,230**
- exposures to transferors (with recourse)	5,060	219	4,841	26,970	47	26,923
- factoring of future receivables	-	-	-	-	-	-
- other	5,060	219	4,841	26,970	47	26,923
- exposures to transferred debtors (without recourse)	23,197	2,162	21,035	50,614	2,307	48,307
- purchases below nominal value	-	-	-	-	-	-
- other	23,197	2,162	21,035	50,614	2,307	48,307
Total	**7,361,819**	**305,656**	**7,056,163**	**6,974,536**	**275,752**	**6,698,784**

B.1.2 Purchase transactions for impaired receivables other than factoring
There were no amounts in this section.

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	
	2018	2017	2018	2017
- on demand	189,587	299,823	2,515,157	2,689,006
- up to 3 months	398,552	482,226	4,686,481	4,403,482
- 3 to 6 months	89,315	108,066	1,172,590	1,028,458
- 6 months to 1 year	60,063	72,673	684,044	470,928
- beyond 1 year	233,761	282,838	260,155	441,294
- unspecified duration	-	-	-	-
Total	**971,278**	**1,245,626**	**9,318,427**	**9,033,168**

B.2.2 – Without recourse factoring transactions: exposures

(thousands of €)

Maturity	Exposures	
	2018	2017
- on demand	597,523	589,662
- up to 3 months	3,803,116	3,480,018
- 3 to 6 months	929,924	731,997
- 6 months to 1 year	429,433	254,831
- beyond 1 year	1,970	114,686
- unspecified duration	322,920	281,964
Total	6,084,886	5,453,158

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

There were no amounts in this section.

B.3 – Other information

B.3.1 – Turnover of factored loans/receivables

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
1. Without-recourse transactions	26,355,047	25,756,946
of which: purchases below the nominal value	-	-
2. With-recourse transactions	3,232,562	3,532,110
Total	**29,587,609**	**29,289,056**

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

B.3.2 – Collection services

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
Loans and receivables collected in the year	434,734	482,817
Amount of loans and receivables at year end	124,310	157,440

B.3.3 – Nominal value of factoring contracts for future loans/receivables

(thousands of €)

Items	Total 31/12/2018	Total 31/12/2017
Flow of factoring contracts for future in the year	89,653	278,366
Amount of the contracts at year end	372,870	467,688

The unused margin intended as the difference between the maximum amount of loans/receivables that can be purchased and the amount of loans/receivables purchased, amounted to EUR 13,132 thousand as at 31 December 218.

C. CONSUMER CREDIT

There were no amounts in this section.

D. GUARANTEES GIVEN AND COMMITMENTS

D.1 Value of guarantees (secured or unsecured) given and commitments

(thousands of €)

	Transactions	Total 31/12/2018	Total 31/12/2017
1)	Financial guarantees given upon first request	**157,295**	**142,408**
	a) Banks	8,293	10,057
	b) Financial Companies	6	6
	c) Costumers	148,996	132,345
2)	Other financial guarantees given	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
3)	Commercial guarantees issued	**-**	**-**
	a) Banks	-	-
	b) Financial Companies	-	-
	c) Costumers	-	-
4)	Irrevocable commitments to remburse funds	**267,231**	**221,190**
	a) Banks	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	b) Financial Companies	-	-
	i) certain to be called on	-	-
	ii) uncertain to be called on	-	-
	c) Costumers	267,231	221,190
	i) certain to be called on	-	-
	ii) uncertain to be called on	267,231	221,190
5)	Commitments underlying credit derivatives: protection sales	-	-
6)	Assets made to guarantee third party obligations	-	-
7)	Other irrevocable commitments	-	-
	a) to give guarantees	-	**-**
	b) others	-	**-**
	Total	**424,526**	**363,598**

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

(thousands of €)

Exposures	31/12/2018			31/12/2017		
	Gross value	Value adjustments	Net value	Gross value	Value adjustments	Net value
1. Performing assets						
- from guarantees	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-
-financial	-	-	-	-	-	-
2. Impaired assets						
- from guarantees	**159,743**	**(113,251)**	**46,491**	**151,719**	**(109,094)**	**42,624**
- commercial	-	-	-	-	-	-
-financial	159,743	(113,251)	46,491	151,719	(109,094)	42,624
Total	**159,743**	**(113,251)**	**46,491**	**151,719**	**(109,094)**	**42,624**

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	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions	Gross value	Total Provisions
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	**-**	**-**	**156,910**	**(364)**	**-**	**-**	**-**	**-**	**-**	**-**	**385**	**(83)**
- financial guarantees upon first request	-	-	156,910	(364)	-	-	-	-	-	-	385	(83)
- other financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
- commercial guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**156,910**	**(364)**	**-**	**-**	**-**	**-**	**-**	**-**	**385**	**(83)**

D.4 Guarantees given (secured or unsecured): amount of counter-guarantees

There were no amounts in this section.

D.5 Number of guarantees given (secured or unsecured): status of risk undertaken
There were no amounts in this section.

D.6 Guarantees given (secured or unsecured): with risk-taking on the first losses and mezzanine type: amount of underlying assets
There were no amounts in this section.

D.7 Guarantees given (secured or unsecured) in the process of being enforced: stock data
There were no amounts in this section.

D.8 Guarantees given (secured or unsecured) in the process of being enforced: flow data
There were no amounts in this section.

D.9 Changes in impaired guarantees given (secured or unsecured): non-performing
There were no amounts in this section.

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	**-**	**473**	**-**	**-**	**-**	**-**
(B) Increases:	**-**	**413**	**-**	**-**	**-**	**-**
- (b1) transfers from performing guarantees	-	166	-	-	-	-
- (b2) transfers from other impaired guarantees	-	-	-	-	-	-
- (b3) other increases	-	247	-	-	-	-
(C) Decreases:	**-**	**(501)**	**-**	**-**	**-**	**-**
- (c1) outgoings to performing guarantees	-	-	-	-	-	-
- (c2) outgoings from other impaired guarantees	-	-	-	-	-	-
- (c3) enforcement	-	-	-	-	-	-
- (c4) other decreases	-	(501)	-	-	-	-
(D) Gross final value	**-**	**385**	**-**	**-**	**-**	**-**

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	**-**	**141,935**	**-**	**-**	**-**	**-**
(B) Increases:	**-**	**76,215**	**-**	**-**	**-**	**-**
- (b1) Guarantees given	-	45,664	-	-	-	-
- (b2) other increases	-	30,551	-	-	-	-
(C) Decreases:	**-**	**(61,240)**	**-**	**-**	**-**	**-**
- (c1) Guarantees not enforced	-	-	-	-	-	-
- (c2) transfers to impaired guarantees	-	(166)	-	-	-	-
- (c3) other decreases	-	(61,074)	-	-	-	-
(D) Gross final value	**-**	**156,910**	**-**	**-**	**-**	**-**

D.12 Changes in value adjustments and total provisions
There were no amounts in this section.

D.13 Assets pledged as guarantee for own liabilities and commitments
There were no amounts in this section.

D.14 Commission income and expenses on guarantees given (secured or unsecured) during the year: total value
There were no amounts in this section.

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

(thousands of €)

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 - Not financial institutions - Production companies	-	-	-	-	127,948
- Subgroup 2: SAE 245 - Banking system	-	-	-	-	8,293
- Sottogruppo 3: SAE 492 - Other non-financial institutions	-	-	-	-	6,301
- Subgroup : Others	-	-	-	-	14,753
Total	**-**	**-**	**-**	**-**	**157,295**

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

(thousands of €)

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	-	-	-	-	55,783
- Region 2	Centre Italy	-	-	-	-	33,283
- Region 3	North-East Italy	-	-	-	-	45,961
- Region 4	South Italy and islands	-	-	-	-	20,459
- Region 5	Others	-	-	-	-	1,809
Totale		**-**	**-**	**-**	**-**	**157,295**

D.17 Geographic distribution of guarantees (secured or unsecured) given by sector of economic activities of the guaranteed debtors (number of guaranteed entities)
There were no amounts in this section.

D.18 Geographic distribution of guarantees (secured or unsecured) given by region of residence of the guaranteed debtors (number of guaranteed entities)
There were no amounts in this section.

D.19 Stock and trend of the number of associates
There were no amounts in this section.

E. PAYMENT SERVICES AND ISSUING OF ELECTRONIC MONEY
There were no amounts in this section.

F. OPERATIONS WITH THIRD-PARTY FUNDS
There were no amounts in this section.

G. LOAN TRANSACTIONS SECURED BY PLEDGE
There were no amounts in this section.

H. COVERED BONDS
There were no amounts in this section.

I. OTHER ASSETS
There were no amounts in this section.

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
There were no amounts in this section.

B. Disclosure on the structured entities not consolidated in the accounts (other than vehicle companies for securitisations)
There were no amounts in this section.

C. Sale transactions
There were no amounts in this section.

Section 3 – Information on risks and related hedging policies

3.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Factoring activities involve numerous services that 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, which can be classified, in brief, 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 risk assessment of 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 lending activities carried out by banks, indispensable for permitting an adequate control of the credit risk which partly expresses itself in aspects[1] not present in banking activities.
With regard to the provision of the above services, the factor may undertake the credit risks in different ways, which can be, in turn, broken down into certain elementary types:

- credit risk in the strictest sense, represented by the risk of loss due to default of the debtors[2];

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[1] Measurement of the asset risk: a wider concept of the measurement of creditworthiness 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 tendency 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, falls 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 large number of 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, adequate 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 that 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 (e.g., 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 for which the client undertakes the dual 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 correlation between the risks deriving from the characteristics of the various transactions offered to the customer (the latter being particularly complex to identify and quantify).

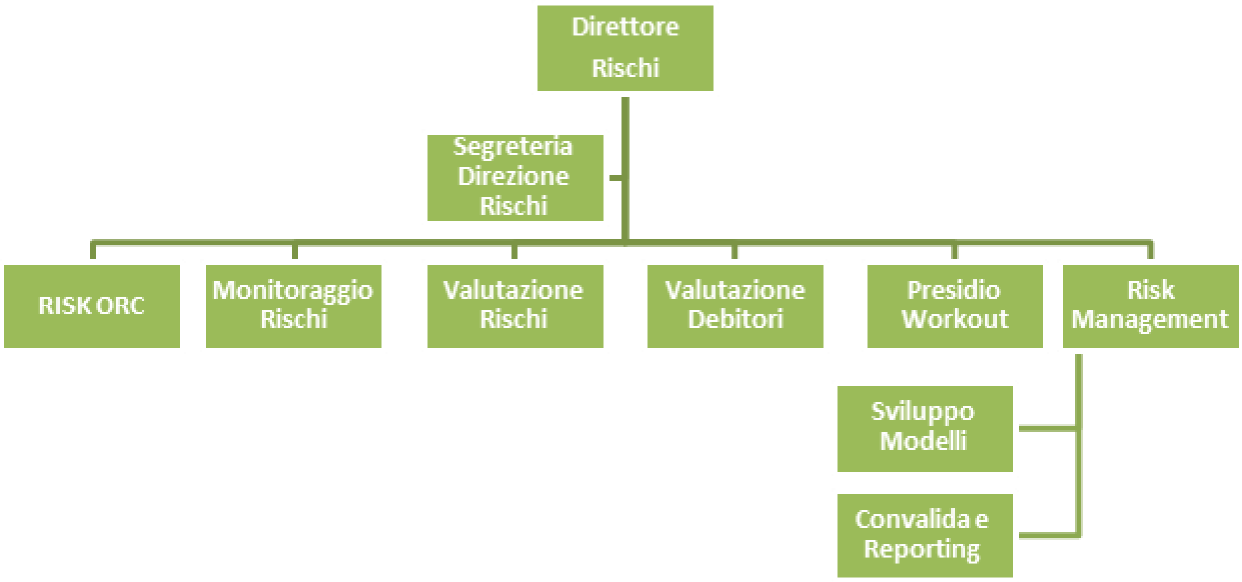
[2] I.e., those with whom the factor has risks that must be discharged by those counterparties; therefore, these also include transferors for advances received.

- 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 (known as conventional expiry).

The internal control system set up by the company proposes to mitigate the manifestation of the above risks, which could lead to losses should they arise.
The planned progressive integration towards the Parent Company's credit risk control model, in addition to the scenario, in recent years, of exceptional macro-economic factors which have required and will require measures to be taken, including legislative, by the Regulators, who have facilitated the introduction of a gradual implementation of the credit risk control process.

2. Credit risk management policies

2.1 Organisational aspects
The Division's organisational structure is as follows:



The Head of the Risk Division holds the position of Head of the Risk Control Unit and, in this capacity, reports hierarchically to the Board of Directors; the Risk Division is integrated into the RISK organisational model of the BNP Paribas Group, with the consequent close link and reporting of the Head to the Factoring Global CRO of BNPP6, with which it acts in close coordination.
The Head of the Division is the Point of Contact for outsourced services in the Internal Audit area of the Internal Rating System.
The Operational Risk Point of Contact functionally reports to the Head of the Risk Division, to whom he/she sends suitable information flows on pertinent risks, their recording and periodic monitoring and the mitigation actions implemented with the related Risk Owners.

The Permanent Controls are present in three units and are carried out by RISK ORC, the Risk Monitoring Department and the Risk Management Department. The Risk Division Office unit gathers together the secretarial activities, in the Risk Manager's staff. The remaining units of the Division are at line level.

Risk Division

- oversees the processes relating to the assumption of 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.
- handles the doubtful positions, co-ordinating at BNP Paribas Group level.
- ensures constant monitoring of credit risks and those envisaged as part of the ICAAP process for the relevant areas of responsibility.
- 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.
- ensures, in coordination with the responsible Units of the BNP Paribas Group, the monitoring of the Company's operational risks in its role as second line of defence and the coordination of the activities carried out by the first line of defence.
- It oversees the internal audit activities outsourced of the Internal Rating System, carried out in outsourcing by BNL SpA – DR – B2C

As a result of the outsourcing to Business Partner Italia S.C.p.A. of Workout activities, the Workout Activities Oversight Unit performs the role of Point of Contact for the Workout services outsourced (Problem asset management; Servicing on behalf of third parties and government authorities management; Revocation management, 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; Analysis and Reporting).
The general mission is established by means of the Business Units indicated above, whose missions are summarised below.

Risk Division Office

- supports the Sales Division, the Transferor Risk Assessment and the Debtor Risk Assessment service in handling the transferor and debtor approval procedures for the Credit Committee (Ordinary and Integrated sessions) and BoD. Fulfils the obligations set forth by the Committee and forwards the documentation for which the opinion of the competent units of other Entities of BNP Paribas Group has been requested and performs any follow-up for the outcome, seeing to any changes set forth;
- ensures, for all paper files, the correct insertion in FIS of the limits without recourse of debtors approved by the Monocratic Bodies;
- oversees the preparation of the Default Committees in the envisaged Judgemental Impairment and Stock Sessions, supporting the Risk Manager in administering the resolutions taken by the Committee, receiving the opinion of BNL where required;
- 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 judgemental assignment of the risk measures;
- oversees the process of publishing ratings in FIS attributed at the end of the quarter in application of the simplified valuation process (known as Sme Policy Performance);
- handles requests from Debtor Assessment to enter data in the master file for foreign parties and enter limits in Mediana/FIS, directly or through the use of services, for the assessment of the corresponding risks by the appointed requesting units (Val.DE);
- manages the flow of requests from the potential clients resulting from approval of without-recourse Feasibility Reports (opinions), ensuring, directly or through the use of the service, the correct entry of the reports and the related assignment to the units assigned to assess the corresponding risks;
- handles the safekeeping of the documents acquired at the approval stage (paper and/or online archiving);
- supervises the service relating to document archiving insofar as it is responsible;
- ensures for the approved limits, the control of the correctness of the data input in FIS, by means of a comparison between the data input and the original resolutions received from the Debtor Assessment service if on paper or the extracts produced by PEF (Electronic loan application) processed by IT on a daily basis;
- it sees to the handling of the restrictive measures resolved with reference to risks without recourse (revocations/reductions both PEF and on paper) by performing the related tasks (registration in FIS, etc.).

- ensures the adjustment of any errors detected in the FIS company information system relating to the processing of without-recourse limits.

Risk Operational Risk & Control / RISK ORC
The function was established as an internal structure in the last quarter of 2018.
The Risk Division is responsible for defining and supervising the overall operational risk management framework in its role as "second line of defence" together with Compliance, Legal, Tax and Finance to the extent of their direct concern.
Risk ORC is the structure in charge of this role that is carried out, in summary, in the following activities:

- ensure the dissemination and monitoring of compliance with the regulations, directives and methods of the Group in the field of Operational Risks, the assessment of the consequent choices regarding the methods and tools used and the assistance/consultancy on the matter to all company structures;
- supervise the qualification/quantification of historical operational risk incidents (HI Quality Review) by proposing any mitigation actions;
- ensure the definition of the mapping of the Company's operational risks (RCSA Risk & Control Self-Assessment), by supervising the activities carried out by OPC (Operational Permanent Controllers) and by Divisions/Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the definition of the Company's control plan, by supervising the activities carried out by the Risk Owner Company Structures for the relevant areas of responsibility and guaranteeing methodological support;
- ensure the supervision of the finding monitoring activities and recommendations issued by the periodic inspections (Inspection Générale), by the Regulator, by the Control Bodies and of the relevant corrective actions;
- ensure the effective implementation of strategies, frameworks and risk mitigation actions with the 1st line of defence, through the follow-up of action plans and the independent control of the activities carried out, either through tests of the controls carried out by the first line of defence or, if deemed relevant, any other type of controls;
- contribute to the dissemination of the culture and awareness of operational risk and to the formation of the risk mitigation framework;
- express an independent and alert view of the level of risk and the status of the operational risk mitigation framework;
- ensure internal management reporting to the Company's Control Bodies, to BNL SpA and to the Parent Company for matters falling within its competence;
- ensure the implementation of the outsourcing device by taking care of the implementation of the first line of defence on it;
- ensure, for the part of any activities allocated to BNL, the definition of Service Level Agreement/SLA and monitoring of the activities carried out.
- With reference to the internal and external fraud protection device:
  - ensure, in accordance with the Group guidelines, the coordination of initiatives for the management of fraud reports as well as assistance/consultancy on the matter;
  - ensure the implementation of the systems required for the prevention, identification, control and monitoring of the internal and external fraud protection system, as well as the coordination or direct management of investigations;
  - contribute, together with the first line of defence, to the training of personnel on the culture of prevention and defence against the risk of fraud.

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 this area, the Department:

- conducts checks regarding the lending process and the management of the relationship and collections based on internal regulations;
- 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/review of the positions;
- 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;
- conducts controls on the process of allocating for impaired accounts; monitors the achievement of lending objectives in the activities of disbursement and management of lending positions, reporting any critical issue to the Divisions concerned;

- controls the consistency of the risk status classifications of the positions according to the guidelines of BNP Paribas Group 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;
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 Senior 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 (PD, LGD, Dilution) and support in the implementation of models 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 updating 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 performance and the accuracy of estimates produced by local models following the resolution of any critical aspects detected within its activities. A specific periodic disclosure is prepared to report on these activities to the Company's Governance and Control Bodies. 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 reporting activities, it implements a control reporting system intended for Senior and Top Management on the performance of asset quality (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 significant sector risks, drafting of information sent to the Risk Policy Committees, etc.), provides the necessary disclosure support to management so that it can carry out its functions as part of the budgeting and periodic audit process (forecast), as well as disclosure support for the performance of the risk cost control activities carried out by management (Action Plan), performs second-level data quality controls for its area of responsibility on the internal rating system and on the information forwarded to central application software for calculating requirements, 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
- 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:
- 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;
- express a fairness opinion on the rating automatically calculated by the software as part of the transferor credit proposals;
- 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);
- validates the risk measures (rating and GRR) assigned in judgemental mode (central models) for both without-recourse transferors and debtors;
- validates the rating values calculated by the engines as part of the process of renewing debtors without recourse for a reduced amount
- supports the Default Committee in applying deviations from the Company Allocation Standards, expressing the Risk Opinion on the departure proposals put forward.

Debtor Assessment
- prepares and assesses without-recourse Debtor files and oversees the quality of these risks over time, in particular:
  - resolves within the authorised limits or submits without-recourse risks to the competent bodies;
  - assesses the consistency of the rating assigned by the software with the general risk profiles of the without-recourse Debtor, activating override processes, if necessary;
  - formulates proposals for assigning risk measures (rating and GRR SU) in judgemental mode for without-recourse debtors and submits them for validation to the Risk Assessment Department.
  - sees to, directly or via the use of services, the entry of the results of the resolutions relating to without-recourse limits and any reinsurance of the same in the Electronic Procedure or in the FIS company information system;
  - manages, with the credit insurance companies, the requests for granting, renewal or revocation of the individual insurance coverage;
  - sees to the review of outstanding without-recourse risks;
  - manages the limits subordinated to the acquisition of accessory guarantees in co-ordination with the Management Division (responsibility of VAL.DE)
  - examines the prepayment plans proposed or the requests for related extensions, submitting them to the competent bodies for authorisation;
  - adopts restrictive measures aimed at safeguarding the risk undertaken by means of decreases, changes and revocations of without-recourse limits;
  - handles the updates 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 BNP Paribas Group;
  - sees to the main without-recourse debtor risk concentration, including by assigning portions of Major Debtor Limits or Debtor Group Limits, entering in the FIS company information system the results of the related resolutions and carrying out the appropriate controls in observance of the limits approved;
  - analyses the periodic downgrades of internal ratings of risks under its responsibility for case-by-case decisions;
- as part of managing counterparty risk:
  - supports the Head of the Division 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
  - draws up suitable disclosure for the Owners with regard to the requirements of pro tempore policies in force so as to permit the correct operational handling; monitors the suitability of the CPAs resolved for foreign correspondents and insurance companies, handling the Annual Review process in collaboration with GFCC.

Workout Activities Unit
It oversees the Workout activities outsourced, 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.
This unit draws up the reporting on all disputes and revocation actions for parties managed by the Workout unit of BPI.

For “legal deeds”, it manages acceptance and activates the Workout unit of BPI for parties with the status Non-Performing – Arrears Unlikely to Pay – Agreed Unlikely to Pay.
It collects the proposals for reclassification of status of without-recourse transferors and debtors and submits them for the review and authorisation of the decision-making bodies, handling the entry in the company information system of the change of status resolved with regard to without-recourse debtors.

2.2 Management, Measurement and Control Systems

Internal Rating System (IRS)

The Ifitalia IRS, established in 2005, has undergone a progressive change which continued throughout 2016, as reported in relation to activities associated with the Basel 2 Programme. The Probability of Default (PD) models that apply to the Large Corporate, Small Mid Corporate and SME Retail segments adopt a methodology that is in line with Group standards for the portion locally implemented. 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 releases safeguard the principle of the uniqueness of the rating value by supplementing these 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 entities of BNP Paribas Group, a single master scale is used to assess the one-year PD of counterparties included in the application scope of the models.
In addition to being a management control instrument and compliant with IFRS 9 requirements, the PD models in use were implemented as part of regulatory provisions to determine 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 financial, qualitative and performance variables. The probabilities of default obtained are corrected to consider the influence of the economic cycle in a way to reduce its influence and cyclicality. 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 utmost reliability over time of the process to estimate and input the risk measures and their correct application in company processes. LGD and Dilution were developed internally, 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 that 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 other risk measures, which, together with the PD, make up the IRS, note that the Loss Given Default (LGD) is used in management reporting, particularly in reference to analyses highlighting the distribution of expected loss and consistency with coverage levels (shortcut/excess), as well as for IFRS 9 purposes.

2.3 Credit risk management policies

Reporting

The reporting process drawn up by the Risk Management Dept. takes the form of periodic disclosure to the Risk Policy Committee (RPC)[3] of BNP Paribas Group, Senior Management, and the first level of responsibility of business management, and contains, among other things, qualitative-quantitative information on portfolio risk and the level of sector 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. and intended for Senior Management – subject to discussion if necessary with the process Owners – with the aim of informing Senior Management 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.

[3] Credit Policy Committee

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

Delegation system

The system of lending powers systematically supplements the use of the rating in the credit authorisation process with depth in the structure for exercising 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[4]" and a "risk chain[5]". According to this process, all lending resolutions relating to the with-recourse transferor and debtor risk are made by the commercial chain, which avails itself of the support of a team of specialised credit risk analysts, who express credit opinions (known as risk opinions) on the credit proposals developed.
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 the General Management 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.
With regard to the without-recourse debtor role, the Risk Division maintained the initial approval process and part of the decision-making activities as per the assigned powers.
For both 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 customers and debtors that are not shared.
The presence of insurance coverage 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 are also subject to review by the Parent Company for the largest amounts or which, due to lender type, are reserved for the exclusive competence of the Board of Directors.

Lending policies

A set of "Specific Credit Policies", approved by the Board of Directors, supplements 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" concern aspects such as:

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

The implementation of 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, known as "IFIPEG".
"Systematic Supervision" is the set of management rules and processes for the individual risk positions of transferor and debtor counterparties, hereinafter referred to as "customers", aimed at ensuring constant reporting and assessment of risk, the consequent classification and the timely and effective application of management strategies designed to minimise the

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

impact from risk increase, with a view to preserving the quality of these credit assets. Anticipatory management is envisaged, both in Basel regulations and in Bank of Italy supervisory instructions, as one of 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 risk exposures, which also assesses the manner in which the changing risk profile of the institution could influence its capital requirements. 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 early management of 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 risk exposures, which also assesses the manner in which the changing risk profile of the institution could influence its capital requirements.

The Systematic Supervision process is organised into 3 pillars:

- On-going classification of 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 early management of the deterioration of loan quality as well as its permanent and on-going monitoring;
- Action plans, focused on the reduction/reclassification of the risk vis-à-vis high risk customers.

These pillars are strictly linked to the Monitoring process, which constitutes the final phase of the broader 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;
- the Customer 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, the Customer leaves the process when:

- he/she no longer has dealings with Ifitalia;
- the position 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: 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: includes all 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 as part of the process to implement the new IFIPEG 2.0 tool. -

<u>Organisation of the Committees</u>

For the purpose of ensuring an integrated management of the processes, the Company has established an organisational structure that envisages the meeting of Committees where the relevant business units are occasionally called to provide their contribution through an integrated approach.

In particular:

<u>Credit Committee</u>

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

It expresses opinions regarding lending in line with 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 administrative sub-delegation and use of the credit facilities, including registered by name, to be assigned to certain defined business roles.

The Credit Committee meets in "ordinary" and "integrated" sessions. In the "integrated" session, the Credit Committee resolves solely on granting loans that exceed the powers of the "ordinary" session, without prejudice to the powers reserved exclusively to the Board of Directors.

Non-Standard Product Validation Committee

It authorises all the “non-standard products”, understood as 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 name of the Committee was changed to Product, Activities, Exceptional Transactions (COPAT) Committee as from December 2018 together with the entry of RISK ORC as a reference on aspects related to operational risk.

The Committee is responsible for assessing the impacts:

- on the components of credit risk, operational risk, market risk, ALM risk (interest rate risk and liquidity risk), risk of non-compliance, reputation risk and image risk;
- on the control system;
- on accounting and administrative processes/systems and on commercial, financial and supervisory reporting;
- on tax aspects;
- on legal aspects;
- on IT systems and/or infrastructure components;
- on distribution processes;
- on organisational aspects;
- on data, in terms of their quality compared to the different purposes of use.

Risk Monitoring Committee

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

This Committee is the venue in which business management discusses the valuation of risks carried out by the competent units and assesses the mitigation action proposed by the responsible units, 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 its areas of responsibility - control is exercised by the Risk Control Units and represents a point of business synthesis which ensures a single view of 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 trends in 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, consistent with the processes defined at BNP Paribas Group level;
- directly downgrading, if necessary, the rating assigned to the customer;
- assessing the action/initiatives to mitigate risks and modify developmental trends in activities to contain risks and RWAs;
- providing a global and systematic vision of the situation within the sphere of the permanent control system and operational risk;
- intervening, in a dedicated session and in an anticipatory logic, on relations that present a relevant fraud scoring with decisions that can lead
    - the maintenance of the relationship without any change compared to the existing situation;
    - to the maintenance of the relationship with a restructuring of the operations where necessary, also requiring the activation of a new investigation process;
    - to the inclusion of the name in the Watchlist;
    - to the request for an amicable exit from the relationship;
    - to status changeover, referring the valuation of the relevant provisions to the competent bodies.
- analysing and acquiring collective decisions with regard to the permanent control system and operational risks;
- supporting the Business Continuity manager in reporting, sharing and validating the information and initiatives aimed at maintaining 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 business;

- 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 significant risks: collecting and reviewing reports on trends in the adequacy of the available capital (ICAAP) and of the significant risks drawn up by the competent business 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 to mitigate risks and modify developmental trends in activities to contain risks and the RWAs;
- ensuring the supervision of supplier risk so as to efficiently manage any issues deriving from the commercial dealings with suppliers, ensuring the quality and continuity of the related activities.

Default Committee

The Default Committee is the body that analyses and resolves on lending disputes and the collection or loss forecasts.
This Committee works through two internal sessions: *Ordinary* (assesses and resolves the reclassification of 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 (Automatic IPA/IP), assesses and resolves allocations to provisions for risk starting from EUR 600 thousand) and Stock (assesses the management activity of 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.

Techniques for mitigating the credit risk

The mitigation of 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 contracted essentially on foreign transactions and for transactions with specific customers. This choice is consistent with the strategies implemented within the factoring hub of BNP Paribas Group, where normally the assumption of without-recourse debtor risk is accompanied by an insurance guarantee or a guarantee from 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 assumed;
- processes for gathering the subscription of guarantees;
- processes for the control, custody and registration of the guarantees.

The organisational and technological processes take into due account the necessary functional distinction that must be assigned among the party that defines the standard texts, the party that collects the guarantees, and the party that checks/holds/validates them.
The credit protection usually undertaken is unsecured (unfunded), while the use of secured (funded) credit protection instruments is typically associated with protection of already non-performing loans/receivables and, therefore – contrary to banking activities - is more of an exception than a usual risk mitigation instrument.

2.4 Projects underway that will be realised as from 2019

The project entitled “Basel II Programme” to adopt the IRB Advanced approach for the calculation of the credit risk capital requirement has currently reached a very advanced stage and the application to the supervisory authority is expected during 2019. This project involved a significant evolution of processes and tools supporting the business divisions overseeing and governing credit and dilution risk.
With regard to dilution risk, a specific control framework was identified that pertains to the various phases of the credit process and is designed to maintain the amount of this risk within limits that are considered insignificant.
Along with these developments, a substantial intervention is envisaged for the scoring system already in place to extend its application as well as to increase its ability to classify even more selectively, consistent with the pro tempore risk objectives defined by the business.
A further strengthening of the framework for preventing the risk of external fraud already started in 2018 with the generation of the "ex-ante fraud score" mentioned above, with reference to:

- the activation of the Audit process on transferors;
- the activation of a tool point in time with the aim of reporting attempted frauds already at the time of the transfer;
- a training and awareness-raising programme on the risk of fraud in general and with a particular focus on external factoring fraud.

Finally, the overall adaptation of the operational risk control framework that will be a direct expression of that of the BNP Paribas Group will be completed, albeit applied to the national situation.

3. Impaired credit exposures

Classification of impaired assets
The definition of impaired credit exposures is described by the company in a procedure that identifies the detection methods/criteria of the status of the counterparty.
This identification may be automatic (subjects in impaired past due status) or evaluated (arrears unlikely to pay and non-performing loans).

Subjects defined in past due/impaired status
Given that the past due must be on-going, as part of factoring transactions the continuity of the past due is recorded as follows:
- in the case of "with recourse" transactions, the past due exposure, other than that related to the future loan/receivable factoring transaction, is determined exclusively upon the fulfilment of both of the following conditions:
  − the advance is for an amount equal to or greater than the total loans/receivables yet to fall due;
  − 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.
- in case of transactions "without recourse", for each transferred debtor, reference must be made to the individual invoice with the longest delay.

Therefore, for factoring transactions, the exposures recognised on parties pursuant to IAS/IFRS are "past due assets" when both conditions of persistence and materiality are met at the same time.

Subjects defined as arrears unlikely to pay and non-performing loans
- Unlikely to pay: the classification of counterparties in this category is the result of the company's opinion as to the unlikelihood that, without recourse to actions such as enforcement of the guarantees, the debtor/transferor fully meets his/her credit obligations (in terms of principal and/or interest). 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 that imply a situation of counterparty default risk (for example, a crisis in the industrial sector in which it operates). All cash and off-balance-sheet exposures to a counterparty in this situation are referred to as "unlikely to pay", unless the conditions for classification as non-performing are met.
- Non-performing loans: this category includes all cash and off-balance-sheet exposures vis-à-vis a party in a state of insolvency (even if not legally ascertained) or in essentially equivalent situations, irrespective of any loss forecasts made by the company. The exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded.

Return to performing
The counterparty can leave the non-performing status:
- when the exposures are fully discharged, including interest on arrears;
- if, once the conditions for maintaining the position as Non-performing no longer exist, it is returned to performing/Unlikely to pay by means of a specific resolution passed by the Positions delegated for this purpose;
- in case of full loss transfer of the position not recovered in whole or in part.

The counterparty can leave the unlikely to pay status:
- when the entire exposure classified as Unlikely to pay has been discharged;
- if the status of Unlikely to Pay is among those that required an automatic placement, the position can be relocated to a different status only by resolution of the decision-making body granted the right to do so.

The counterparty can leave the impaired past due status:

- the automatic positions do not require a resolution for the return to performing (BON/Bonis), in that the exit from this status is managed directly by the information system that checks on a monthly basis the absence of the conditions of materiality and persistence of the past due positions that determined the placement or the end of the "cure period".

<u>Procedures for defining, managing and controlling anomalous items at Group level</u>
The status coordination activity is transversal to all the entities of the BNPP group in order to achieve a homogeneous reclassification of the status of the customer. Alignment is a process that needs to be coordinated from the moment the state changeover is prepared for all the statuses being assessed. The status alignment process is not automatic but always subject to coordinated evaluation by the Group entities.

<u>Management and recovery process for non-performing loans not yet due</u>
The supervision of the collection process for impaired positions – other than past due and some of the 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, the Unit implements collection strategies that consider:

- the status of the position and counterparties resulting from the data in its possession at the time the documentation is received and subsequently acquired;
- the effective amount to be collected and economic advantages of possible actions 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 collection forecasts and to quantify the amount of provisions deemed adequate in light of the status of the position when the forecasts are formulated and each time there are new elements that allow to change it.
In relation to the unlikely to pay/non-performing positions with contained risk amounts, external servicers are used, 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 (known as Collective Write-down) and non-performing receivables (known as Global impairment and analytic impairment). The process for provisioning and status changeover is co-ordinated by the Default Committee referred to above.
At present, the Company writes off exposures when it has no reasonable expectation of recovering the financial asset and for the amount deemed irrecoverable. The same operations are applied to items of insignificant amount on the basis of a cost/benefit analysis of the recovery process.
At the same time, the Company is working to formalise the specific write off policies adopted as part of its broader strategies for managing impaired loan positions.

4. Financial assets subject to commercial renegotiations and exposures subject to concession

Exposures falling under the categories of "Non-performing exposures with forbearance measures" and "Forborne performing exposures" as defined in the ITS are credit exposures subject to concessions (forbearance).
Credit exposures subject to concessions (forbearance) can fall both under the categories of "Non-performing forborne exposures (with forbearance measures)" and "Performing forborne exposures" as defined in the ITS.
Forbearance measures are represented by concessions/rescheduling with counterparties that are, or are expected to be, in difficulty in meeting the originally agreed deadlines (financial difficulties).
Exposures must not be treated as forborne when the debtor is not in financial difficulty (no subjective requirement).
The valuation component from which the opinion of state of difficulty at the time of the request for concession/rescheduling arises is necessary to determine whether the measures put in place are to be understood as forbearance measures.
A concession/rescheduling can be referred to any of the following actions:
a) a change in the previous contractual terms and conditions that the counterparty had to comply with and that counterparty is considered unable to comply with in the absence of the previous contractual terms and conditions due to financial difficulties (debt management problems) and which would not have been granted had the counterparty not been in such difficulties;
b) a total or partial refinancing/rescheduling of debt that would not have been granted had the counterparty not been in financial difficulty.
A concession/rescheduling can result in a loss for the bank/intermediary but this is not an absolute precondition. Therefore, a forbearance measure does not necessarily involve a loss.

In the business application, the focus is placed on the subjective assessment of the state of difficulty of the counterparty requesting the changes in due dates (forbearance measures) from which can derive - together with the existence of certain objective assumptions - the requirement of placing the counterparty among the NPE forborne exposures.
In particular, to ensure the above, the following guidelines are defined:
1 Changes in deadlines must be due to two distinct and alternative circumstances:
1.1 commercial reasons (trade concessions), i.e. problems related to the underlying supply and/or commercial policies of the purchaser and/or sector specificity in the absence of a state of difficulty and therefore of the counterparty;
1.2 change in deadlines resulting from a lack of funds in the presence of a state of difficulty of the counterparty (non-commercial concessions).
2 Some reasons constitute rebuttable presumption or absolute presumption of the case under 1.2.
3 The treatment must be differentiated between the debtor role (without recourse) and the transferor role (with recourse), meaning that
3.1 the debtor role without recourse is a debtor counterparty where there are receivables without recourse;
3.2 the transferor role with recourse is a transferor counterparty where there are exposures with recourse.

QUANTITATIVE INFORMATION

1. Distribution of financial assets by portfolio and loan quality (book values)

(thousands of €)

Portfolios/quality	Non-performing	Unlikely to pay	Past due positions	Performing Past due positions	Other Assets	**Total**
1. Financial assets measured at amortised cost	61.248	55.142	25.875	1.326.108	6.279.122	**7.747.495**
2. Financial assets at fair value through other comprehensive income						**-**
3. Financial assets designated at fair value						**-**
4. Other financial assets mandatorily measured at fair value					5.181	**5.181**
5. Discontinues operations						**-**
Total 31/12/2018	61.248	55.142	25.875	1.326.108	6.284.303	7.752.676

2. Distribution of financial assets by portfolio and loan quality (gross and net values)

(thousands of €)

Portfolios/quality	Impaired assets				Performing assets			Total (net exposure)
	Gross Exposure	Total value adjustment	Net exposure	Overall partial write-off *	Gross Exposure	Total value adjustment	Net exposure	
1. Financial assets measured at amortised cost	437,026	(294,761)	142,265		7,616,123	(10,893)	7,605,230	7,747,495
2. Financial assets at fair value through other comprehensive income			-		-	-	-	-
3. Financial assets designated at fair value			-		X	X	-	-
4. Other financial assets mandatorily measured at fair value			-		X	X	5,181	5,181
5. Discontinued operations			-		-	-	-	-
TOTAL (2018)	**437,026**	**(294,761)**	**142,265**	**-**	**7,616,123**	**(10,893)**	**7,610,411**	**7,752,676**

(migliaia di euro)

Portfolios/quality	Low credit quality assets		Other assets
	Total loss	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total (2018)	-	-	-

* Value to be shown for information purposes

3. Distribution of financial assets by maturity brackets (book values)

(thousands of €)

Portfolios/quality	First level			Second level			Third level		
	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days	Up to 30 days	From 30 days to 90	Over 90 days
1. Financial assets measured at amortised cost	457,064	114,299	650,456	45,359	15,177	43,752	1,404	2,930	432,693
2. Financial assets at fair value through other comprehensive income									
Total (2018)	457,064	114,299	650,456	45,359	15,177	43,752	1,404	2,930	432,693

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

(thousands of €)

Causes/Risk status	Total value adjustments													Total provisions on commitments to disburse funds and financial			Total
	Assets in the first status				Assets in the second status				Assets in the third status								
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	of which: single write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	of which: single write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	of which: single write-downs	of which: collective write-downs	of which: impaired financial assets acquired or originated	First Level	Second Level	Third Level	
Opening Balance	-	-	-	-	5,565	-	-	5,565	270,187	-	270,187	-	-	-	254	1,278	277,283
Increases in financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments/writebacks for credit risk (+/-)	(138)	-	-	(138)	(357)	-	-	(357)	10,434	-	10,434	-	-	23	(58)	-	9,904
Contract modifications without eliminations	2	-	-	2		-	-		2,777	-	2,777	-	-	-	-	-	2,779
Changes in estimation method	4,415	-	-	4,415	1,492	-	-	1,492	26,688	-	26,688	-	-	213	(75)	-	32,733
Write-off	-	-	-	-	-	-	-	-	(10,213)	-	(10,213)	-	-	-	-	-	(10,213)
Other changes	115	-	-	115	(86)	-	-	(86)	(2,426)	-	(2,426)	-	-	(4)	11	5	(2,407)
Closing balance	4,392	-	-	4,392	6,501	-	-	6,501	294,761	-	294,761	-	-	232	132	1,283	307,300
Recoveries from collections on financial assets written off	-	-	-	-	-	-	-	-	538	-	538	-	-	-	-	-	538
Write-offs recognised directly to the income statement	-	-	-	-	-	-	-	-	(1,994)	-	(1,994)	-	-	-	-	-	(1,994)

The main changes in the value adjustments of loans/receivables in 2018 are related:

1) to the adoption of the new accounting standard IFRS 9 and in particular, the introduction of the new rules for staging and calculating impairment led to an increase of EUR 32.7 million in write-downs upon FTA (before taxes, EUR 10.81 million), broken down as follows:
- Stage 1 increase in write-downs of EUR 4.63 million;
- Stage 2 increase in write-downs of EUR 1.42 million;
- Stage 3 increase in write-downs of EUR 26.69 million.

2) Write-offs of EUR 10.2 million in loans/receivables no longer due;

3) new provisions for the period in line with the recovery estimates made by the operator for EUR 9.9 million.

5. Financial assets, commitments to grant funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

(thousands of €)

Portfolios/quality	Gross Value / Nominal Value					
	Transfer from first stage to second stage		Transfer from first stage to third stage		Transfer from second stage to third stage	
	From first status to second status	From second status to first status	From second status to third status	From third status to second status	From first status to third status	From third status to first status
1. Financial assets measured at amortised cost	90,259	1,765,678		26,114	37,734	40,778
2. Financial assets at fair value through other comprehensive income						
3. Commitments to grant loans and financial guarantees issued	3,381	5,927	8	-	194	-
Total 31/12/2018	93,640	1,771,605	20,451	26,114	37,928	40,778

6. Credit exposures to customers, banks and financial businesses

6.1 Off-balance sheet credit exposures to banks and financial businesses: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		**Total value adjustments and total provisions**	**Net Exposure**	**Overall partial write-off***
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	1,646	X	(1,646)	-	
-of which forborne exposures	-	X	-	-	
b) Unlikely to pay	19	X	-	19	
-of which forborne exposures	-	X	-	-	
c) Impaired past due loans	693	X	(1)	692	
-of which forborne exposures	-	X	-	-	
d) Performing Past due loans	X	10,152	(5)	10,147	
-of which forborne exposures	X	-	-	-	
e) Other Performing Assets	X	74,432	(172)	74,260	
-of which forborne exposures	X	-	-	-	
TOTAL A	**2,358**	**84,584**	**(1,824)**	**85,118**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets				-	
b) Performing assets	X	8,299	-	8,299	
TOTAL B	**-**	**8,299**	**-**	**8,299**	**-**
TOTAL (A+)B	**2,358**	**92,883**	**(1,824)**	**93,417**	**-**

* Value to be shown for information purposes

6.2 Cash credit exposures to banks and financial businesses: changes in gross non-performing exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**1.711**	**-**	**612**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**-**	**19**	**693**
B.1	entries from performing exposures		19	
B.2	entries from impaired financial assets acquired or originated			
B.3	transfers from other categories of impaired exposure			
B.4	contract modifications without eliminations			
B.5	other increases			693
C.	***Decreases***	**(65)**	**-**	**(612)**
C.1	exits to performing exposures			
C.2	write-offs			
C.3	collections			
C.4	sale proceeds			
C.5	losses on sale			
C.6	transfers from other categories of impaired exposures			
C.7	contract modifications without eliminations			
C.8	other decreases	(65)		(612)
D.	***Gross final exposure***	**1.646**	**19**	**693**
	of which: exposures sold, but not eliminated			

6.2bis Cash credit exposures to banks and financial businesses: changes in exposures subject to concessions broken down by credit quality

There were no amounts in this section.

6.3 Impaired cash credit exposures to banks and financial businesses: changes in total value adjustments

(thousands of €)

	Cause/Categories	**Doubtful loans**		**Unlikely to pay**		**Impaired past due loans**	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**1,695**					
	- of which: exposures sold, but not eliminated						
B.	***Increases***	**-**	**-**	**-**	**-**	**1**	**-**
B.1	value adjustments from impaired financial assets acquired or		X		X		X
B.2	other value adjustments					1	
B.3	losses on sale						
B.4	transfers from other categories of impaired exposures						
B.5	contract modifications without eliminations		X		X		X
B.6	other increases						
C.	***Decreases***	**(49)**	**-**	**-**	**-**	**-**	**-**
C.1	write-backs from valuation	(49)					
C.2	write-backs from collection						
C.3	gains on sale						
C.4	write-offs						
C.5	transfers from other categories of impaired exposures						
C.6	contract modifications without eliminations		X		X		X
C.7	other decreases						
D.	***Final total adjustments***	**1,646**	**-**	**-**	**-**	**1**	**-**
	- of which: exposures sold, but not eliminated						

6.4 Off-balance sheet credit exposures to customers: gross and net values

(thousands of €)

Types of exposures/Amounts	Gross Exposure		Total value adjustments and total provisions	Net Exposure	Overall partial write-off*
	Impaired	Performing			
A. CASH EXPOSURES					
a) Doubtful loans	302,854	X	(241,606)	61,248	
-of which forborne exposures	18,972	X	(16,326)	2,646	
b) Unlikely to pay	104,251	X	(49,128)	55,123	
-of which forborne exposures	13,384	X	(3,838)	9,546	
c) Impaired past due loans	27,563	X	(2,380)	25,183	
-of which forborne exposures	-	X	-	-	
d) Performing Past due loans	X	1,315,956	(1,133)	1,314,823	
-of which forborne exposures	X	881	(1)	880	
e) Other Performing Assets	X	6,215,583	(9,583)	6,206,000	
-of which forborne exposures	X	71	(3)	67	
TOTAL A	**434,668**	**7,531,539**	**(303,830)**	**7,662,377**	**-**
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired assets	25,385	-	(1,283)	24,102	
b) Performing assets	X	390,842	(364)	390,478	
TOTAL B	**25,385**	**390,842**	**(1,647)**	**414,580**	**-**
TOTAL (A+)B	**460,053**	**7,922,381**	**(305,477)**	**8,076,957**	**-**

* Value to be shown for information purposes.

6.5 Credit exposures to customers: changes in gross impaired exposures

(thousands of €)

	Cause/Categories	Doubtful loans	Unlikely to pay	Impaired past due loans
A.	***Starting gross exposure***	**289,265**	**150,902**	**76,972**
	- of which: exposures sold, but not eliminated			
B.	***Increases***	**38,493**	**18,682**	**10,549**
B.1	entries from performing exposures	1,916	18,682	8,109
B.2	entries from impaired financial assets acquired or originated			-
B.3	transfers from other categories of impaired exposure	35,079		1,434
B.4	contract modifications without eliminations			-
B.5	other increases	1,498		1,006
C.	***Decreases***	**(27,287)**	**(69,197)**	**(59,959)**
C.1	exits to performing exposures	(15,940)	(29,631)	(57,235)
C.2	write-offs	(8,963)	(598)	(131)
C.3	collections	(2,384)	(3,863)	-
C.4	sale proceeds			-
C.5	losses on sale			-
C.6	transfers from other categories of impaired exposures		(35,079)	(1,425)
C.7	contract modifications without eliminations			-
C.8	other decreases		(26)	(1,168)
D.	***Gross final exposure***	**302,854**	**104,251**	**27,563**
	of which: exposures sold, but not eliminated			

6.5bis Cash credit exposures to customers: changes in gross exposures subject to concessions broken down by credit quality

(thousands of €)

	Cause/Categories	Forborne exposures: impaired	Forborne exposures: performing
A.	***Starting gross exposure***	**28,690**	**538**
	of which: exposures sold, but not eliminated		
B.	***Increases***	**8,912**	**466**
B.1	entries from performing not forborne exposures	5,641	
B.2	entries from performing forborne exposures	14	X
B.3	entries from impaired forborne exposures	X	
B.4	other increases	3,257	466
C.	***Decreases***	**(5,246)**	**(52)**
C.1	exits to performing not forborne exposures	(512)	
C.2	exits to performing forborne exposures	-	X
C.3	exits to impaired forborne exposures	X	(6)
C.4	write-offs	(834)	
C.5	collections		
C.6	sale proceeds	-	-
C.7	losses on sale	-	-
C.8	other decreases	(3,900)	(46)
D.	***Gross final exposure***	**32,356**	**952**
	of which: exposures sold, but not eliminated		

6.6 Impaired cash credit exposures to customers: changes in total value adjustments

(thousands of €)

	Cause/Categories	Doubtful loans		Unlikely to pay		Impaired past due loans	
		Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A.	***Initial total adjustments***	**203.644**	**13.257**	**62.494**	**4.130**	**2.354**	**-**
	- of which: exposures sold, but not eliminated	-	-	-	-	-	-
B.	***Increases***	**58.019**	**4.307**	**15.487**	**2.728**	**26**	**-**
B.1	value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2	other value adjustments	12.579	617	10.717	1.511	26	-
B.3	losses on sale	-	-	-	-	-	-
B.4	transfers from other categories of impaired exposures	22.822	1.872	700	-	-	-
B.5	contract modifications without eliminations	-	X	-	X	-	X
B.6	other increases	22.618	1.818	4.070	1.217	-	-
C.	***Decreases***	**(20.057)**	**(1.238)**	**(28.853)**	**(3.020)**	**-**	**-**
C.1	write-backs from valuation	(6.986)	(573)	(1.910)	(509)	-	-
C.2	write-backs from collection	(3.743)	-	(2.536)	(446)	-	-
C.3	gains on sale	-	-	-	-	-	-
C.4	write-offs	(9.328)	(609)	(885)	(170)	-	-
C.5	transfers from other categories of impaired exposures	-	-	(23.522)	(1.873)	-	-
C.6	contract modifications without eliminations	-	X	-	X	-	X
C.7	other decreases	-	(56)	-	(22)	-	-
D.	***Final total adjustments***	**241.606**	**16.326**	**49.128**	**3.838**	**2.380**	**-**
	- of which: exposures sold, but not eliminated	-	-	-	-	-	-

7. Classification of financial assets, commitments to grant funds and financial guarantees given based on internal and external ratings

7.1 Breakdown of financial assets, commitments to grant funds and financial guarantees given by external rating classes (gross values)

(thousands of €

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**448,766**	**1,609,287**	**1,283,616**	**313,279**	**152,810**	**13,085**	**4,231,993**	**8,052,836**
- First level	447,408	1,532,114	1,177,314	264,115	148,600	2	3,115,114	**6,684,667**
- Second level	1,358	75,739	104,682	44,434	3,620	535	700,774	**931,142**
- Third level	-	1,434	1,620	4,730	590	12,548	416,105	**437,027**
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First level								**-**
- Second level								**-**
- Third level								**-**
Total (A + B)	**448,766**	**1,609,287**	**1,283,616**	**313,279**	**152,810**	**13,085**	**4,231,993**	**8,052,836**
of which: impaired financial assets acquired or originated								
C. Commitments to disburse funds and financial guarantees issued	**5,470**	**157,987**	**115,959**	**2,776**	**655**	**-**	**141,679**	**424,526**
- First level	5,470	157,539	115,565	2,349	617	-	106,217	**387,757**
- Second level	-	448	394	427	38	-	10,077	**11,384**
- Third level	-	-	-	-	-	-	25,385	**25,385**
Total (C)	**5,470**	**157,987**	**115,959**	**2,776**	**655**	**-**	**141,679**	**424,526**
Total (A + B + C)	**454,236**	**1,767,274**	**1,399,575**	**316,055**	**153,465**	**13,085**	**4,373,672**	**8,477,362**

Ifitalia, for the Exposures in the corporate portfolio, uses the external ratings of the following ECAI:

	1	2	3	4	5	6
CERVED	A1.1, A1.2, A.1.3	A.2.1, A.2.2, A.3.1	B.1.1, B.1.2	B.2.1, B.2.2	C.1.1	C.1.2, C.2.1

7.2 Distribution of financial assets, commitments to grant funds and financial guarantees given by internal rating class (gross values)

There were no amounts in this section.

8. Financial and non-financial assets obtained through the enforcement of guarantees received

There were no amounts in this section.

9. Lending concentration

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

(thousands of €)

Exposure types/Balances	Public administration		Financial companies and banks		Financial istitutions (of which: other insurance corporations)		Non financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. CASH EXPOSURES										
A.1 Doubtful loans	10,692	(4,001)		(1,646)			50,043	(230,099)	513	(7,506)
-of which forborne exposures	1,867	(12)					699	(15,526)	80	(788)
A.2 Unlikely to pay	8,854	(38)	19	-			44,562	(46,003)	1,707	(3,087)
-of which forborne exposures	302	(4)					9,061	(3,659)	183	(175)
A.3 Impaired past due positions	19,636	(2,015)	692	(1)			5,532	(361)	15	(4)
-of which forborne exposures										
A.4 Performing exposures	1,504,982	(84)	84,407	(177)	2,438		5,951,238	(10,426)	64,603	(206)
-of which forborne exposures	312	(1)	-	-	-		581	(3)	54	-
TOTAL A	**1,544,164**	**- 6,138**	**85,118**	**- 1,824**	**2,438**	**-**	**6,051,375**	**- 286,889**	**66,838**	**- 10,803**
B. OFF BALANCE SHEET EXPOSURES										
B.1 Impaired assets	-	-		-	-	-	24,066	(1,271)	36	(12)
B.2 Performing assets	18		8,299	-	3		384,814	(332)	5,646	- 32
TOTALEB	**18**	**-**	**8,299**	**-**	**3**	**-**	**408,880**	**- 1,603**	**5,682**	**- 44**
TOTAL (A+B) (31.12.2018)	**1,544,182**	**- 6,138**	**93,417**	**- 1,824**	**2,441**	**-**	**6,460,255**	**- 288,492**	**72,520**	**- 10,847**

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

(thousands of €)

	Exposure types/Balances	North-West		North-East		Centre		South and Islands	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A.	**CASH EXPOSURES**								
A.1	Doubtful loans	12,090	(66,377)	6,918	(35,883)	21,089	(67,214)	20,850	(70,463)
A.2	Unlikely to pay	7,982	(11,384)	3,112	(4,392)	21,513	(17,019)	19,211	(13,471)
A.3	Impaired past due positions	5,148	(34)	372	(11)	5,844	(62)	14,481	(2,266)
A.4	Performing exposures	2,097,691	(2,782)	1,113,556	(969)	2,406,567	(4,756)	690,622	(877)
	TOTAL (A)	**2,122,911**	**- 80,577**	**1,123,958**	**- 41,255**	**2,455,013**	**- 89,051**	**745,164**	**- 87,077**
B.	**OFF BALANCE SHEET EXPOSURES**								
B.1	Impaired assets	23,851	- 1,214	146	- 37	41	- 12	65	- 20
B.2	Performing positions	297,653	(158)	45,697	- 80	33,178	- 51	20,305	- 70
	TOTAL (B)	**321,504**	**- 1,372**	**45,843**	**- 117**	**33,219**	**- 63**	**20,370**	**- 90**
	TOTAL (A + B) (31/12/2018)	**2,444,415**	**- 81,949**	**1,169,801**	**- 41,372**	**2,488,232**	**- 89,114**	**765,534**	**- 87,167**

9.3 Significant exposures

(thousands of €)

	SIGNIFICANT EXPOSURES	Book value	Weighted value
a	Amount	3,317,402	1,767,680
b	Number	21	21

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

The company does not use internal models for gauging credit risk.

11. Other quantitative information

Not applicable to the company.

2017 FINANCIAL YEAR

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	16	-	612	11,142	208,969	**220,739**
4. Due from customers	85,621	88,407	74,618	1,395,133	5,516,914	**7,160,693**
7. Financial assets at fair value						
8. Disposal financial assets	-					**-**
Total 31/12/17	85,637	88,407	75,230	1,406,275	5,725,883	7,381,432

(migliaia di euro)

Portfolios/quality	Low credit quality assets	Other assets	Total
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total 31/12/2017	-	-	-

Credit exposures

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							
	Up to 3 months	3 to 6 months	6 months to 1 year	beyond 1 year	Performing assets			
A CASH EXPOSURES								
a) Non-performing	6,170	805	653	281,637	X	(203,644)	X	85,621
-of which forborne exposures	1,860	-	-	15,084	X	(13,258)	X	3,686
b) Unlikely to pay	7,329	1,052	21,909	120,612	X	(62,494)	X	88,408
-of which forborne exposures	2,131	152	3,702	5,761	X	(4,129)	X	7,617
c) Past due positions	-	36,018	40,954	-	X	(2,354)	X	74,618
-of which forborne exposures	-	-	-	-	X	-	X	-
d) Performing Past due positions	X	X	X	X	1,396,962	X	(1,829)	1,395,133
-of which forborne exposures	X	X	X	X	-	X	-	-
e) Other Assets	X	X	X	X	5,520,652	X	(3,737)	5,516,915
-of which forborne exposures	X	X	X	X	538	X	(2)	536
TOTAL A	**13,499**	**37,875**	**63,516**	**402,249**	**6,917,614**	**(268,492)**	**(5,566)**	**7,160,695**
OFF BALANCE SHEET EXPOSURES								
a) Impaired assets	-	210	36	25,214	X	(77)	X	25,384
b) Performing assets	X	X	X	X	328,049	X	(1,454)	326,595
TOTAL B	**-**	**210**	**36**	**25,214**	**328,049**	**(77)**	**(1,454)**	**351,979**
TOTAL (A+)B	**13,499**	**38,085**	**63,552**	**427,463**	**7,245,663**	**(268,569)**	**(7,020)**	**7,512,674**

(thousands of €)

Credit exposures to customers - Performing assets	
Maturity	Performing Past due exposures
past due up to 3 months	1,068,961
past due 3 to 6 months	57,900
past due 6 months to 1 year	47,038
past due beyond 1 year	223,063
TOTAL	**1,396,962**

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

(thousands of €)

Exposure types/Balances	Gross exposure					Specific value adjustments	Portfolio value	Net exposure
	Impaired assets							
	Up to 3 months	3 to 6 months	6 months to 1 year	beyond 1 year	Performing assets			
A CASH EXPOSURES								
a) Non-performing	-	-	-	1,711	X	(1,695)	X	16
-of which forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
-of which forborne exposures	-	-	-	-	X	-	X	-
c) Past due positions	-	-	612	-	X	-	X	612
-of which forborne exposures	-	-	-	-	X	-	X	-
d) Performing Past due positions	X	X	X	X	11,142	X		11,142
-of which forborne exposures	X	X	X	X	-	X		-
e) Other Assets	X	X	X	X	208,969	X		208,969
-of which forborne exposures	X	X	X	X	-	X		-
TOTAL A	**-**	**-**	**612**	**1,711**	**220,111**	**(1,695)**	**-**	**220,739**
OFF BALANCE SHEET EXPOSURES								
a) Impaired assets	-				X		X	-
b) Performing assets	X	X	X	X	10,088	X	-	10,088
TOTAL B	**-**	**-**	**-**	**-**	**10,088**	**-**	**-**	**10,088**
TOTAL (A+)B	**-**	**-**	**612**	**1,711**	**230,199**	**(1,695)**	**-**	**230,827**

Classification of exposures based on external and internal ratings

Distribution of cash and "off-balance sheet" 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			**1,485,527**				**5,988,621**	**7,474,148**
B. Derivatives								**-**
B.1 Financial derivatives								**-**
B.2 Derivatives on receivables								**-**
C. Guarantees given			10,097				132,311	**142,408**
D. Commitments to grant funds							221,190	**221,190**
E. Other								**-**
TOTAL	**-**	**-**	**1,495,624**	**-**	**-**	**-**	**6,342,122**	**7,837,746**

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 31/12/17
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

Distribution of cash and "off-balance sheet" exposures by internal 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			**1,485,527**				**5,988,621**	**7,474,148**
B. Derivatives								**-**
B.1 Financial derivatives								**-**
B.2 Derivatives on receivables								**-**
C. Guarantees given			10,097				132,311	**142,408**
D. Commitments to grant funds							221,190	**221,190**
E. Other								**-**
TOTAL	**-**	**-**	**1,495,624**	**-**	**-**	**-**	**6,342,122**	**7,837,746**

Lending concentration

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

(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	11,767	(3,799)	X	**7,968**	267,510	(192,274)	X	**75,236**	1,711	(1,695)	X	**16**
-of which forborne exposures	1,860	(14)	X	**1,846**	14,094	(12,344)	X	**1,750**	-	-	X	**-**
A.2 Unlikely to pay	11,474	(19)	X	**11,455**	128,945	(57,087)	X	**71,858**	-	-	X	**-**
-of which forborne exposures	649	-	X	**649**	10,293	(3,784)	X	**6,509**	-	-	X	**-**
A.3 Past due positions	48,168	(2,000)	X	**46,168**	28,386	(300)	X	**28,086**	612	-	X	**612**
-of which forborne exposures	-	-	X	**-**	-	-	X	**-**	-	-	X	**-**
A.4 Other Assets	1,462,593	X	-	**1,462,593**	5,313,431	X	(5,508)	**5,307,923**	220,111	X	-	**220,111**
-of which forborne exposures	-	X	-	**-**	497	X	(2)	**495**	-	X	-	**-**
TOTAL	**1,534,002**	**(5,818)**	**-**	**1,528,184**	**5,738,272**	**(249,661)**	**(5,508)**	**5,483,103**	**222,434**	**(1,695)**	**-**	**220,739**

(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	8,746	(7,420)	X	**1,326**	1,242	(151)	X	**1,091**	**290,976**	**(205,339)**	X	**85,637**
-of which forborne exposures	991	(899)	X	**92**	-	-	X	**-**	**16,945**	**(13,257)**	X	**3,688**
A.2 Unlikely to pay	8,051	(4,381)	X	**3,670**	2,432	(1,007)	X	**1,425**	**150,902**	**(62,494)**	X	**88,408**
-of which forborne exposures	803	(346)	X	**457**	-	-	X	**-**	**11,745**	**(4,130)**	X	**7,615**
A.3 Past due positions	274	(54)	X	**220**	144	-	X	**144**	**77,584**	**(2,354)**	X	**75,230**
-of which forborne exposures	-	-	X	**-**	-	-	X	**-**	**-**	**-**	X	**-**
A.4 Other Assets	126,809	X	(57)	**126,752**	14,780	X	-	**14,780**	**7,137,724**	X	**(5,565)**	**7,132,159**
-of which forborne exposures	41	X	-	**41**	-	X	-	**-**	**538**	X	**(2)**	**536**
TOTAL	**143,880**	**(11,855)**	**(57)**	**131,968**	**18,598**	**(1,158)**	**-**	**17,440**	**7,657,186**	**(270,187)**	**(5,565)**	**7,381,433**

(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	-	25,184	(29)	X	**25,156**	-		X	-
A.3 Non Performing assets			X	-	222	(37)	X	**185**			X	-
A.4 Other assets	39	X		**39**	320,866	X	(214)	**320,652**	10,113	X		**10,113**
TOTAL	**39**	**-**	**-**	**39**	**346,272**	**(66)**	**(214)**	**345,992**	**10,113**	**-**	**-**	**10,113**

(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	30	(7)	X	**23**			X	-	**25,214**	**(35)**	X	**25,179**
A.3 Non Performing assets	25	(5)	X	**20**			X	-	**247**	**(42)**	X	**205**
A.4 Other assets	6,996	X	(39)	**6,957**	122	X		**122**	**338,137**	X	(254)	**337,883**
TOTAL	**7,052**	**(12)**	**(39)**	**7,001**	**122**	**-**	**-**	**122**	**363,598**	**(77)**	**(254)**	**363,267**

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

(thousands of €)

	Geographic distribution					
	North-West	North-East	Centre	South and Islands	Other countries	Total
Receivables						
A1 Non-performing	15,381	10,033	33,676	26,289	258	**85,637**
A2 Unlikely to pay	22,210	5,898	27,359	27,907	5,034	**88,408**
A3 Past due positions	4,439	718	36,277	24,156	9,640	**75,230**
A4 Other assets	2,114,521	975,612	2,198,940	719,861	1,123,224	**7,132,158**
TOTAL A	**2,156,551**	**992,261**	**2,296,252**	**798,213**	**1,138,156**	**7,381,433**

Off balance sheet exposures

(thousands of €)

	Geographic distribution					
	North-West	North-East	Centre	South and Islands	Other countries	Total
Off balance sheet exposures						
A1 Non-performing	-	-	-	-	-	
A2 Unlikely to pay	25,018	9	99	89	-	**25,214**
A3 Past due positions	70	29	6	142	-	**247**
A4 Other assets	239,935	42,298	32,574	21,285	2,045	**338,137**
TOTAL B	**265,022**	**42,336**	**32,680**	**21,515**	**2,045**	**363,598**

Significant exposures

(thousands of €)

Significant exposures		Book value	Weighted value
a	Amount	2,390,966	1,027,866
b	Total number of shares	11	11

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: Qualitative Information, in paragraph 2.2 "*Management, measurement and control systems".*

5. Other quantitative information

There were no amounts in this section.

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

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 assets and liabilities.

QUANTITATIVE INFORMATION

Given that all funding is currently provided to the company by the Parent Company, the mismatch by maturity bracket with respect to the amount of the funding is marginal as at 31 December 2018.

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

Currency: euro *(thousand of €)*

Item/residual life	On demand	Until 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 year to 10 years	Beyond 10 years	Unspecified life
1. Assets	**1,507,111**	**4,579,141**	**576,721**	**303,447**	**108,637**	**11,006**	**-**	**328,100**
1.1 Debt securities								
1.2 Loans	1,507,111	4,579,141	576,721	303,447	108,637	11,006	-	322,920
1.3 Other assets								5,181
2. Liabilities	**266,293**	**6,231,971**	**47,177**	**1,091**	**57,445**	**-**	**-**	**378,692**
2.1 Payables	203,089	5,981,495	14,627	781	57,445	-	-	378,692
2.2 Securities issued	63,204	250,476	32,550	310				
2.3 Other liabilities								
3. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**142**
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	142
3.1 Long positions								142
3.2 Short positions								

Currency: other currencies *(migliaia di euro)*

Item/residual life	On demand	Until 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 year to 10 years	Beyond 10 years	Unspecified life
1. Assets	**31,059**	**296,869**	**7,113**	**2,681**	**791**	**-**	**-**	**-**
1.1 Debt securities								
1.2 Loans	31,059	296,869	7,113	2,681	791			
1.3 Other assets								
2. Liabilities	**198,759**	**131,595**	**2,979**	**-**	**-**	**-**	**-**	**-**
2.1 Payables	198,759	131,595	2,979					
2.2 Securities issued								
2.3 Other liabilities								
3. 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 interest rate risk is that indicated in the provisions contained in Bank of Italy Circular no. 288, whose model is based on the principle of a 200 bp shock.

At the end of 2018, the portfolio's sensitivity to interest rate risk for Ifitalia amounted to EUR 9.5 million, equal to 1.43% of the supervisory capital, below the 20% threshold.

3. Other quantitative information on interest rate risk
There were no amounts in this section.

3.2.2 PRICE RISK
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

QUALITATIVE INFORMATION

1. General aspects
Exchange risk is negligible within the scope of core business activities, since all assets acquired are consistently assisted by identical liabilities in the same currency and with the same duration features.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(thousand of €)

	Items	Currency					
		USA dollars	Pounds	Yen	Canadian dollars	Swiss franc	Other currencies
1.	**Financial assets**	288,562	**12,717**	**-**	**1,894**	**50**	**45,976**
1.1	Debt securities	-	-	-	-	-	-
1.2	Capital securities	-	-	-	-	-	-
1.3	Loans	288,562	12,717	-	1,894	50	45,976
1.4	Other financial assets	-	-	-	-	-	-
2.	**Other assets**	-	-	-	-	-	-
3.	**Financial liabilities**	**287,869**	**12,639**	-	1,890	50	**45,903**
3.1	Payables	287,869	12,639	-	1,890	50	45,903
3.2	Debt securities	-	-	-	-	-	-
3.3	Other financial liabilities	-	-	-	-	-	-
4.	**Other liabilities**	-	-	-	-	-	-
5.	**Derivatives**	-	-	-	-	-	-
5.1	Long position	-	-	-	-	-	-
5.2	Short position	-	-	-	-	-	-
	Total assets	288,562	12,717	-	1,894	50	45,976
	Total liabilities	287,869	12,639	-	1,890	50	45,903
	Imbalance (-/+)	693	78	-	4	-	73

2. Models and other methods for gauging and handling the exchange risk
As stated above, exchange risk is negligible, since all assets acquired are consistently assisted by identical liabilities in the same currency and with the same duration features.

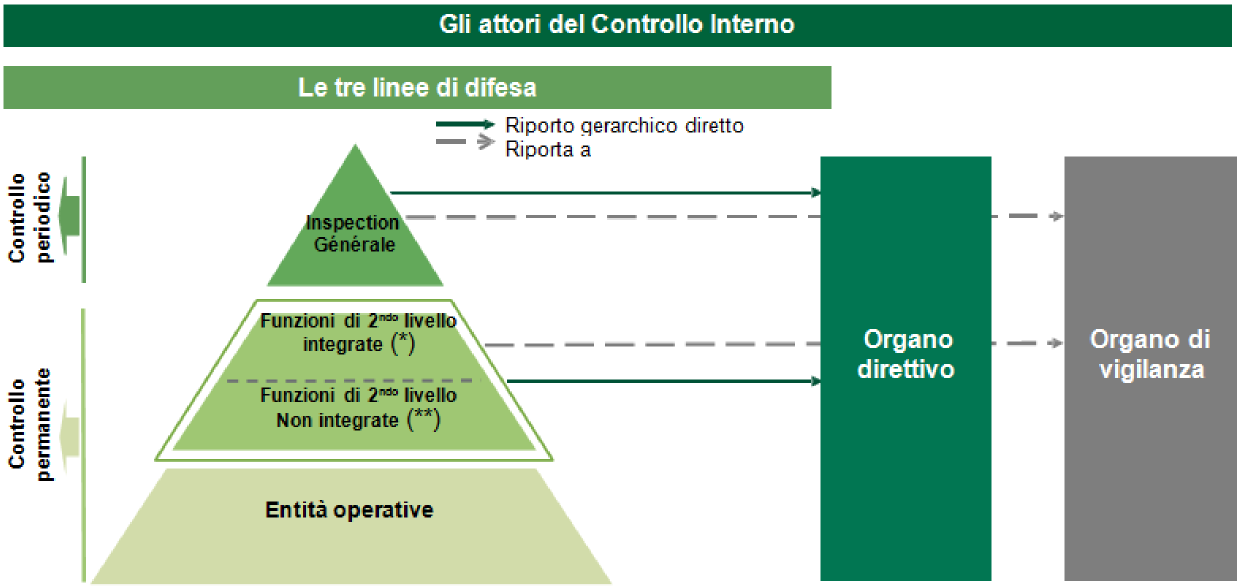
3. Other quantitative information on exchange risk
There were no amounts in this section.

3.3 OPERATIONAL RISK

QUALITATIVE INFORMATION

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

The control model defined by the BNP Paribas group divides the tasks in the Operational Risk area between the first and second lines of defence, as summarised below.



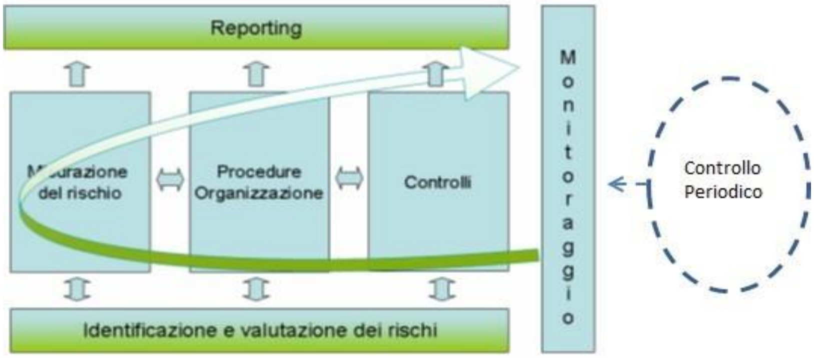
(*) Compliance, LEGAL, RISK
(**) Group Tax and Group Finance for the purposes of organisational responsibilities and supervision of the risk management framework for accounting and financial reporting

The distinction, which is already in place but has been clearly operational since 2018, gives a general supervisory role to the Risk Division (RISK in the synthetic nomenclature of the BNP Paribas Group) which is part of the second level control functions (second line of defence) with a special reference to operational risk; the first level is represented by the operating functions (entities) that carry out the activities and by the OPC structure that carries out the role of permanent first level control (first line of defence). OPC is represented by the Operational Risk and Permanent Controls Department.

The permanent controls of the first line of defence are entrusted to a structure called "**Operational Permanent Control" / OPC**, in Ifitalia consisting of personnel independent of the operating functions that are responsible for:
- identifying and assessing the risks to which the assets are exposed;
- defining adequate control methods and ensuring their execution;
- identifying and implementing risk mitigation actions.

The **permanent control system** implements continuous risk management and monitoring actions of the actual implementation of strategic actions. It is based on control policies, procedures and plans and materialises in organisational choices, controls and governance.

The diagram below represents the overall breakdown of the components of the permanent monitoring device:



Within the Ifitalia internal control framework, the follow-up of corrective actions resulting from audit missions carried out by Inspection Générale is the responsibility of the Operational Risk and Permanent Controls Department, due to its proximity to operational processes, with periodic reporting of its results to the RISK function as the second line of defence. Inspection Générale is responsible for the final decision on the correct implementation of the corrective action resulting from the issue of specific recommendations.
OPC oversees the operational risk management system in coordination with the Head of the Risk Division through the latter's second line of defence, RISK ORC (RISK Operational Risk & Controls).

The supervision, management and monitoring activities (also with reference to the ICAAP process) are carried out by the Operational Risks and Permanent Controls Department in accordance with the operational risk governance model defined by the Parent Company BNP Paribas. This Structure is part of the Operational Management Division. The complementariness of the "Operational Risks" and "Permanent Controls" areas carries out its synergistic action in the identification, assessment and monitoring phase of the actual risk (the risk that takes into account the coverage of the procedures and the effectiveness of the controls) and in the definition phase of the corrective actions and the relative priorities, following the adoption of shared and common metrics and measurements. The staff of the Unit, who do not participate in specific operating activities of the other departments, are dedicated to executing Permanent Controls according to the formalities and the deadlines defined in the Plan of Controls and prepared “day by day” operational disclosure on the checks carried out, emerging issues, and any mitigation activities carried out. This information is sent to the operational management (Head of the Units).

The Risk Division (RISK function), in line with the guidelines of the BNP Paribas Group, is responsible for organising and supervising the global risk management system to which Ifitalia is exposed and, more specifically, the following risks: credit, dilution, counterparty, market, financing and liquidity, interest rate and exchange rate in the banking book, insurance and operational. The RISK manager is also responsible for the Permanent control and for the consistency and operation of the RISK manager in accordance with the Group's permanent control device.
In this way, RISK guarantees Ifitalia a single and integrated view of the various types of risk.
Risk control in the second line of defence is implemented by several functions operating in different fields. With regard to operational risk within the remit of the RISK function, the second line of defence is implemented by *RISK ORC.* The Operational Risk and Permanent Controls Department (OPC) operates based on the guidelines defined by RISK ORC and coordinates with it.
The risk control function in the second line of defence is implemented by second lines of defence that operate in several areas where, *with reference to operational risk*, it is implemented by RISK ORC to which the Operational Risk and Permanent Control Coordinator (OPC) reports functionally and through participation in the inter-functional committees envisaged by the pro tempore Company Regulations in force;
Also with regard to 2018, the organisation was completed by:

- Risk Monitoring Committee - Permanent Control Operational Risk Session that, 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 risks, prepared by the responsible divisions;

- providing a global, organic vision of the permanent control and operational risk system;
- analysing and acquiring collective decisions on the permanent control and operational risk framework;
- generating an alarm and escalation level on recurring critical issues;
- determining the involvement of the operational Organisations responsible for managing these issues and activating the monitoring of mitigating actions.

Committee meetings, organised by RISK ORC since the last quarter of 2018, are attended by the Heads of the Company Divisions identified, for each session, in relation to the topics discussed and to their respective responsibilities. Moreover, the Contact Persons for Essential Outsourced Services and the relevant BNL SpA functions (Compliance and RISK ORCS Division to the extent of their authority) and BNL Spa - Inspection Générale Hub Italy participate as a permanent guest.

- Finance Division, which is responsible for ensuring that incidents generating a significant financial impact are appropriately reported in the Company's financial documents; this Division also worked with the Operational Risks and Permanent Control Unit to perform an accounting reconciliation of operating incidents. It is also responsible for calculating the capital requirements to be established in relation to the operational risks.

Method

Management of operational risk, in the definition adopted by BNP Paribas, is based on an alignment of cause analysis (internal process or external fact), event (incident), and effect (risk of economic loss). In particular, the BNP Group defined as an incident a real event that has actually taken place, of which it is possible to effectively describe the real causes and consequences, as well as to measure its economic impacts. 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.

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

- Loss Data Collection Process: activities for the identification, entry, and registration of historic incidents of Operational Risk through input to the BNP FORECAST Group tool. The FORECAST (Full Operational Risk & Control Analysis System) management system is the IT platform used by the companies of BNP Paribas Group to record historic incidents, the related recognised, estimated, or potential losses, any amounts collected as a result of insurance or by other means that occur within 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 a self-assessment process to identify, classify, and measure in advance the risks which business operations are potentially exposed to and as such, is a managerial operating tool useful for planning 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;
- Issue Resolution 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). These activities are carried out according to two different operating methods: definition of short-term corrective actions and structuring of medium/long-term action plans; starting from the last quarter of 2018, actions to correct the most significant critical points identified by the controls/incident analysis were gradually introduced through the Aurora application in order to give greater visibility to management and the Group on findings and corrective actions;
- 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", contains the outcomes of the permanent controls and the results of the Loss Data Collection process. A section of the report contains any mitigation action adopted and the related status of activities.

QUANTITATIVE INFORMATION

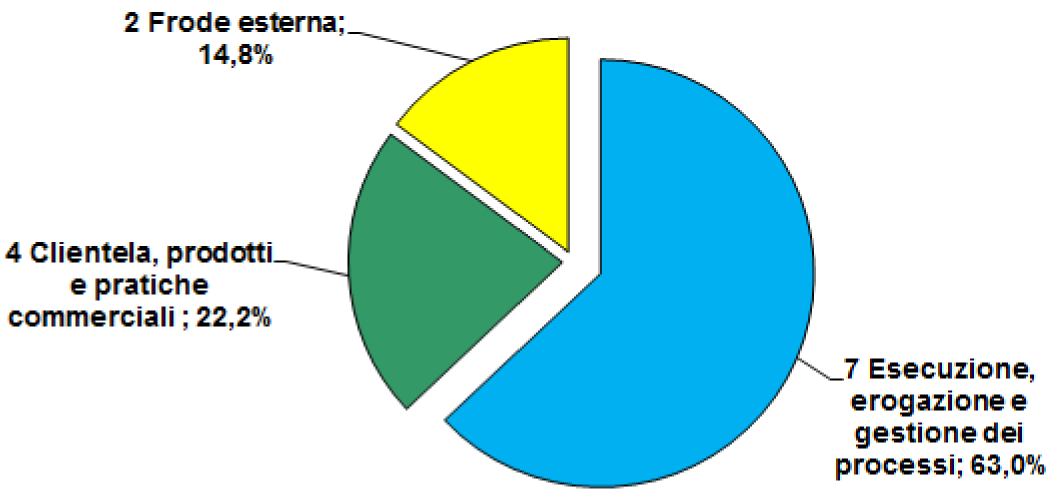
<u>Assessment of the main sources and nature of risk events</u>

The breakdown by percentage of operational risk events recorded in 2018 according to the type of loss event (Event Type) defined by the Basel II Committee is provided below. In 2018, 25 risk events 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 63% of the total number of events occurred in 2018 (versus 64% in 2017);

- **phenomena related to customers, 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 22.2% of the total events occurred in 2018 (versus 16% in 2017);
- **phenomena related to external frauds (ET 2):** these are events due to fraud, embezzlement or violation of laws by persons outside the Company and account for 14.8% of the total events in 2018 (versus 8% in 2017).

Percentage composition by each type of event:



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	Within 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**1,448,640**	**-**	**-**	**1,773,893**	**2,167,834**	**981,193**	**479,623**	**223,111**	**11,769**	**328,101**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	1,448,640			1,773,893	2,167,834	981,193	479,623	223,111	11,769	322,920
A.4	Other assets										5,181
	Cash liabilities	**209,260**	**1,008,914**	**1,032,290**	**1,690,074**	**681,431**	**423,472**	**1,501,091**	**57,445**	**-**	**378,692**
B.1	Deposits and current accounts	146,056	1,005,169	1,024,433	1,597,238	535,393	390,922	1,500,781	57,445	-	378,692
	- Banks	89,019	1,001,424	1,018,492	1,516,080	400,001	358,374	1,500,451	57,445		62,895
	- Financial institutions	57,037	3,745	5,941	81,158	135,392	32,548	330			
	- Customers										315,797
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**1,296**	**-**	**-**	**-**	**-**	**2,802**	**-**	**4,193**	**-**	**413,469**
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	-	-	-	-	-	-	-	-	-	267,231
	- Long positions										
	- Short positions										267,231
C.5.	Financial guarantees issued	1,296	-	-	-	-	2,802	-	4,193	-	146,238
C.6	Financial guarantees received										

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

Other currencies *(thousands of €)*

	Items/Timeframe	On demand	Within 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Unspecified life
	Cash assets	**29,802**	**-**	**-**	**139,815**	**120,127**	**38,046**	**9,873**	**850**	**-**	**-**
A.1	Government bonds										
A.2	Other debt securities										
A.3	Loans	29,802			139,815	120,127	38,046	9,873	850		
A.4	Other assets										
	Cash liabilities	**192,591**	**52,202**	**14,043**	**38,173**	**33,346**	**2,979**	**-**	**-**	**-**	**-**
B.1	Deposits and current accounts	192,591	52,202	14,043	38,173	33,346	2,979	-	-	-	-
	- Banks	186,423	52,202	12,128	26,521	22,705	2,979				
	- Financial institutions	6,168		1,915	11,652	10,641					
	- Customers										
B.2	Debt securities										
B.3	Other liabilities										
	Off balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,767**
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 issued										2,767
C.6	Financial guarantees received										

3.5 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

There were no amounts in this section.

SECTION 4 CONSOLIDATED EQUITY INFORMATION

4. 1 The consolidated equity

4.1.1 Qualitative information

The Group'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 for this purpose is determined based on the current provisions envisaged by the Bank of Italy and represents the reference oversight for prudential supervisory provisions.
In accordance with said provisions, the Company is obliged to maintain 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 Group consolidated equity: breakdown

The Group's consolidated equity as at 31 December 2018 amounted to EUR 711,904 thousand.

(thousands of €)

Items/Balances	Total 31/12/2018	Total 31/12/2017
1. Equity	55,900	55,900
2. Share premium	61,799	61,799
3. Reserves	555,672	539,695
- profit	562,701	528,122
a) legal reserve	11,180	11,180
b) statutory reserve	551,137	516,937
c) treasury shares	-	-
d) other	384	5
- other	(7,029)	11,573
4. (Treasury shares)	-	-
5. Valuation reserves	4,960	8,177
- Equity securities designated at fair value through comprehensive income	-	
- Hedging of equity securities designated at fair value through comprehensive income	-	
- Financial assets (different from equity securities) at fair value through comprehensive income	-	
- Financial assets available for sale		3,322
- Tangible assets	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Hedging of financial flows	-	-
- Hedging instruments (elements not designated)	-	
- Exchange rate differences	-	-
- Non current assets undergoing disposal	-	-
- Financial liabilities designated at fair value through comprehensive income (variatons of loans quality)	-	
- Special revaluation laws	5,870	5,870
- Actuarial gains (losses) relating to defined benefit welfare plans	(910)	(1,015)
- Portion of the valuation reserves related to equity investments valued at equity	-	-
6. Equity instruments	-	-
7. Profit (loss) for the year	33,573	34,579
Group Equity	**711,904**	**700,150**
Minority equity	**10**	**10**
Consolidated equity	**711,914**	**700,160**

4.1.2.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown
There were no amounts in this section.

4.1.2.3 Valuation reserves of financial assets at fair value through other comprehensive income: changes during the year
There were no amounts in this section.

2017 FINANCIAL YEAR

Valuation reserves of available-for-sale financial assets: breakdown

(thousands of €)

Items/Balances	2017	
	Positive reserve	Negative reserve
1 Debt securities	-	-
2 Equity investments	3,321	-
3 UCI units	-	-
4 Loans	-	-
Total	**3,321**	**-**

Valuation reserves of available-for-sale financial assets: changes during the year

		Debt securities	Equity investments	UCI units	Loans
1.	**Opening balances**	**-**	**3.741**	**-**	**-**
2.	**Increases**	**-**	**-**	**-**	**-**
2.1	Positive fair value changes	-	-	-	-
2.2		-	-	-	-
2.3	Other increases				
3.	**Decreases**	**-**	**(420)**	**-**	**-**
3.1	Negative fair value changes		(420)		
3.2					
3.3					
3.4	Other decreases	-	-	-	-
4.	**Closing balances**	**-**	**3.321**	**-**	**-**

4.2 Own Funds and supervisory ratios

Bank of Italy Circular no. 288 "Supervisory Provisions for Financial Intermediaries" in Title I "Subjects and activities", Chapter 2 "Financial Group", Section II "Financial Group", 1 "Composition of the Financial Group" states that the financial companies that make up the group also include:

— corporate bodies with a corporate purpose limited to the carrying-out of certain transactions of a financial nature, whose activity is essentially carried out in the interest of the group.

However, Circular 288 also specifies that "Vehicles set up in Italy or abroad for the sole purpose of giving corporate form to individual funding or lending transactions and intended to be liquidated once the transaction is concluded, in which the intermediary or a company of the financial group holds an interest that does not qualify as an equity investment for supervisory purposes, are not included in the financial group on condition that they are consolidated on a line-by-line basis in the consolidated financial statements of the parent company".

Therefore, since Ifitalia has no equity investments in the capital of the vehicle and since it has prepared this document relating to the consolidated financial statements, the vehicle should not be included in the financial group.
Moreover, as long as the vehicle is the only entity controlled by Ifitalia (and, as stated above, should not be included in the financial group), it is considered that the preconditions for the creation of the financial group itself and the application of the relevant legislation no longer exist.

Therefore, on the basis of the above regulations, the Financial Group is not set up in accordance with Circular 288 with the consequent exemption from all administrative/accounting obligations for the purposes of Supervision for the Financial Groups.

SECTION 5 – ANALYTICAL STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(thousands of €)

	ITEMS	Total (2018)	Total (2017)
10.	**Profit (Loss) for the year**	33,573	34,579
	Other income components without reversal to income statement connected with:		
20.	Equity instruments measured at fair value through other comprehensive income:	-	
	a) fair value changes		
	b) transfer to other components of equity		
30.	Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness):	-	
	a) fair value changes		
	b) transfer to other components of equity		
40.	Hedging of equity instruments designated at fair value through other comprehensive income:	-	
	a) fair value changes (hedge instrument)		
	b) fair value changes (hedging instrument)		
50.	Property, plant and equipment		-
60.	Intangible assets		-
70.	Defined benefit plans	105	(103)
80.	Non current assets held for sale		-
90.	Share of reserves from valuation of investments carried at equity		-
100.	Income taxes relating at other income components without reversal to profit or loss		-
	Other income components with reversal to income statement connected with:		
110.	Hedging of foreign investments:	-	-
	a) fair value changes		-
	b) transfer to income statement		-
	c) other changes		-
120.	Exchange differences:	-	-
	a) value changes		-
	b) transfer to income statement		-
	c) other changes		-
130.	Cash flows hedges:	-	-
	a) fair value changes		-
	b) transfer to income statement		-
	c) other changes		-
	of which: result of net positions		-
140.	Hedging instruments (elements not designated):	-	-
	a) value changes		-
	b) transfer to income statement		-
	c) other changes		-
150.	Financial assets (other then equity securities) at fair value through other comprehensive income:	-	-
	a) fair value changes		-
	b) transfer to income statement	-	-
	- adjustments from impairment		-
	- profit/ loss from realisation		-
	c) Other changes		-
	Financial assets available for sale:		(419)
	a) fair value changes		-
	b) transfer to income statement		-
	- adjustments from impairment		-
	- profit/ loss from realisation		-
	c) Other changes		(419)
160.	Non current assets and disposal groups held for sale:	-	-
	a) fair value changes		-
	b) transfer to income statement		-
	c) other changes		-
170.	Share of reserves from valuation of investments carried at equity	-	-
	a) fair value changes		-
	b) transfer to income statement	-	-
	- adjustments from impairment		-
	- profit/ loss from realisation		-
	c) Other changes		-
180.	Income taxes relating at other income components withreversal to profit or loss		-
190.	**Total other income components**	**105**	**(522)**
200.	**Comprehensive income (Item 10+190)**	**33,678**	**34,057**
210.	**Consolidated comprehensive income attributable to non-controlling interests**		
220.	**Consolidated comprehensive income attributable to the Parent Company**	**33,678**	**34,057**

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

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
Directors	46	46
Auditors	97	100
Total	**143**	**146**

6.2 Loans and guarantees given in favour of directors and statutory auditors

(thousands of €)

	Total 31/12/2018	Total 31/12/2017
Directors		
Auditors		
Total		

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".

Income statement transactions for the period and balance sheet balances as at 31 December 2018 between the Parent Company and other BNPP Group companies, deriving from financial or trade transactions, are presented below.

(thousands of €)

Counterpart	IFITALIA creditor	IFITALIA debtor	Factoring receivables	Guarantees received (*)	Guarantees given	Derivative liability
A) PARENT COMPANY	**8,387**	**5,710,287**	**30**	**210,899**	**-**	**-**
BNP PARIBAS PARIS	8,387	5,709,351	30	210,899		
BNP PARIBAS SUCC. MILANO		936				
B) BNPP GROUP COMPANIES	**233**	**548,595**	**71,181**	**145,313**	**8,290**	**142**
ARTIGIANCASSA SPA			8			142
ARVAL SERVICE LEASE		180				
ARVAL SERVICE LEASE ITALIA SPA		319	60,533			
AXEPTA SPA (EX- BNL POSITIVITY SRL)	(9)		44			
BANCA NAZIONALE DEL LAVORO SPA	191	545,816	8,690	145,313	8,290	
BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE			4			
BNL FINANCE SPA			1			
BNPP CARDIF VITA COMPAGNIA DI ASSICURAZIONE E RIASSICURAZIONE SPA	(2)					
BNPP FACTOR		263	253			
BNPP FORTIS	3	397				
BNPP REAL ESTATE		31	2			
BUSINESS PARTNER ITALIA SCPA	50	1,589	8			
CARDIF ASSURANCES RISQUES DIVERS			44			
CNH INDUSTRIAL CAPITAL EUROPE			13			
FINDOMESTIC BANCA SPA			1,579			
SERFACTORING SPA		-				
TIERRE SECURITISATION SRL		-				
TURK EKONOMI BANKASI AS			2			
C) ASSOCIATED COMPANIES	**(2)**	**42**	**-**	**-**	**-**	**-**
INTERNATIONAL TRADE PARTNER		42				
BNP PARIBAS SGR SPA	(2)					
	8,618	**6,258,924**	**71,211**	**356,212**	**8,290**	**142**

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

(thousands of €)

Counterpart	Interest and similar income	Interest and similar expense	Commission income	Commission expense	Dividends	Derivatives	Administrative expenses	Other operating income and charges
A) PARENT COMPANY	11,159	(532)	-	(775)	-	-	(936)	-
B) ASSOCIATED COMPANIES	77	(3,255)	157	(3,569)	-	90	(15,997)	(351)
C) OTHER							(64)	
Total	11,236	(3,787)	157	(4,344)	-	90	(16,997)	(351)

SECTION 7 – OTHER DISCLOSURE

7.1 Contributions received from the Public Administration

Disclosure on public funding pursuant to Article 1, paragraph 125 of Italian Law no. 124 of 4 August 2017 ("Annual Law on market and competition")

In particular, this law envisages that companies must provide in the notes to the accounts as at 31 December 2018 - and in any consolidated notes to the accounts, if any - information relating to "grants, contributions, paid assignments and any kind of economic advantages" (hereinafter referred to as "public grants") received from public administrations and other entities referred to in Article 1, paragraph 125 of the said law. Failure to comply with the legal requirement of publication will result in the return of the sums received to the paying agents. In order to avoid the accumulation of irrelevant information, the legal requirement of publication does not exist if the amount of public funds received is below the threshold of EUR 10,000. Despite the clarifications provided by the Council of State in its opinion no. 1149 of 1 June 2018, the law in question presents some doubts as to its interpretation and application, with a special reference to the objective scope of application, for which reference was also made to the guidelines that emerged from trade associations (Assonime). In particular, taking into account the criteria that were the basis of the law and the guidelines that have emerged, the disclosure requirements should not include the following cases:

- fees for services rendered by the company in the course of professional services and supplies or of any other task forming part of the normal course of business. These are amounts received that do not relate to the field of perks/public support policies;
- tax advantages available to all companies meeting certain conditions based on predetermined general criteria that are also the subject matter of specific declarations;
- granting of subsidised loans to its customers as these are the funds of others (e.g. interest subsidy from the public administration) and not the own funds of the bank that acts as an intermediary.

Moreover, it should be noted that since August 2017, the National State Aid Register has been active at the General Management for Enterprise Incentives of the Ministry of Economic Development, in which State aid and de minimis aid to each company must be published by the entities granting or managing that aid. For individual aid to Ifitalia SpA, please refer to the section on "Register Transparency", which is publicly available on the following website:
https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx
This being stated, in compliance with the provisions of Article 1, paragraph 125, of Italian Law no. 124 of 4 August 2017, the following is evidence of the amounts received in 2018 by Ifitalia SpA as "grants, contributions, paid assignments and, in any case, economic advantages of any kind".

As reported by the national register of State aid, to date Ifitalia requested contributions of EUR 43,864, mainly related to training activities. Moreover, Ifitalia received reimbursements for financed training amounting to EUR 28,110.

It also had contributions in the field of human resources management amounting to EUR 92,192, broken down as follows:

- Contributions for the recruitment/stabilisation of personnel deriving from the application of the National Collective Labour Agreement of Lending in force from time to time of EUR 9,333;
- Contributions for new hires/stabilisations, introduced by the 2018 Stability Law (Law no. 205/2017) of EUR 2,500;
- Contributions for the Ordinary Section of the Solidarity Fund - benefits: Interministerial Decree 83486 of 28/07/2014 - article 10, paragraph 2 of EUR 25,980.27;
- Article 8 of Italian Legislative Decree no. 203 of 30 September 2005, converted, with amendments, by Italian Law no. 248 of 2 December 2005. Compensating measures for companies that contribute the Employment Termination Benefits to supplementary pensions of EUR 54,378.

Financial Statement Data for the Parent Company BNP Paribas

With reference to the matters envisaged by Article 2497-bis, paragraph 4 of the Italian Civil Code, regarding disclosure on 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 2017 by BNP Paribas S.A. in its capacity as direct parent company.

BNP Paribas Group

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

In millions of euros	Notes	Year to 31 Dec. 2017	Year to 31 Dec. 2016
Interest income	2.a	40,785	40,894
Interest expense	2.a	(19,011)	(18,518)
Commission income	2.b	13,231	12,765
Commission expense	2.b	(5,777)	(5,563)
Net gain on financial instruments at fair value through profit or loss	2.c	5,733	6,189
Net gain on available-for-sale financial assets and other financial assets not m easured at fair value		2,338	2,211
Income from other activities	2.e	42,041	36,532
Expense on other activities	2.e	(36,179)	(31,099)
REVENUES		**43,161**	**43,411**
Salary and employee benefit expense	6.a	(16,496)	(16,402)
Other operating expenses	2.f	(11,729)	(11,279)
Depreciation, amortisation and impairment of property, plant and equipment and		(1,719)	(1,697)
GROSS OPERATING INCOME		**13,217**	**14,033**
Cost of risk	2.g	(2,907)	(3,262)
OPERATING INCOME		**10,310**	**10,771**
Share of earnings of equity-method entities	4.m	713	633
Net gain on non-current assets		488	(12)
Goodwill	4.o	(201)	(182)
PRE-TAX INCOME		**11,310**	**11,210**
Corporate income tax	2.h	(3,103)	(3,095)
NET INCOME		**8,207**	**8,115**
Net income attributable to minority interests		448	413
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		**7,759**	**7,702**
Basic earnings per share	7.a	6.05	6.00
Diluted earnings per share	7.a	6.05	6.00

IFITALIA GRUPPO BNP PARIBAS

BNP Paribas Group

BALANCE SHEET AT 31 DECEMBER 2017

In millions of euros	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and amounts due from central banks		178,446	160,400
Financial instruments at fair value through profit or loss			
Trading securities	4.a	119,452	123,679
Loans and repurchase agreements	4.a	143,558	152,242
Instruments designated as at fair value through profit or loss	4.a	96,932	87,644
Derivative financial instruments	4.a	230,230	328,162
Derivatives used for hedging purposes	4.b	13,756	18,133
Available-for-sale financial assets	4.c	231,975	267,559
Loans and receivables due from credit institutions	4.f	45,670	47,411
Loans and receivables due from customers	4.g	727,675	712,233
Remeasurement adjustment on interest-rate risk hedged portfolios		3,064	4,664
Held-to-maturity financial assets	4.j	4,792	6,100
Current and deferred tax assets	4.k	6,568	7,966
Accrued income and other assets	4.l	107,211	115,967
Equity-method investments	4.m	6,812	6,910
Investment property	4.n	7,065	1,911
Property, plant and equipment	4.n	24,148	22,523
Intangible assets	4.n	3,327	3,239
Goodwill	4.o	9,571	10,216
TOTAL ASSETS		**1,960,252**	**2,076,959**
LIABILITIES			
Due to central banks		1,471	233
Financial instruments at fair value through profit or loss			
Trading securities	4.a	69,313	70,326
Borrowings and repurchase agreements	4.a	172,147	183,206
Instruments designated as at fair value through profit or loss	4.a	53,441	54,076
Derivative financial instruments	4.a	228,019	318,740
Derivatives used for hedging purposes	4.b	15,682	19,626
Due to credit institutions	4.f	76,503	75,660
Due to customers	4.g	766,890	765,953
Debt securities	4.i	148,156	153,422
Remeasurement adjustment on interest-rate risk hedged portfolios		2,372	4,202
Current and deferred tax liabilities	4.k	2,466	3,087
Accrued expenses and other liabilities	4.l	86,135	99,407
Technical reserves of insurance companies	4.p	203,436	193,626
Provisions for contingencies and charges	4.q	11,061	11,801
Subordinated debt	4.i	15,951	18,374
TOTAL LIABILITIES		**1,853,043**	**1,971,739**
CONSOLIDATED EQUITY			
Share capital, additional paid-in capital and retained earnings		*91,094*	*86,794*
Net income for the period attributable to shareholders		*7,759*	*7,702*
Total capital, retained earnings and net income for the period attributable to shareholders		98,853	94,496
Changes in assets and liabilities recognised directly in equity		3,130	6,169
Shareholders' equity		**101,983**	**100,665**
Retained earnings and net income for the period attributable to minority interests		5,352	4,460
Changes in assets and liabilities recognised directly in equity		(126)	95
Total minority interests		**5,226**	**4,555**
TOTAL CONSOLIDATED EQUITY		**107,209**	**105,220**
TOTAL LIABILITIES AND EQUITY		**1,960,252**	**2,076,959**

AUDITORS' REPORT

Independent auditor’s report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of International Factors Italia S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of International Factors Italia S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flows statement for the year then ended and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the section of this report titled *Auditor’s responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company’s ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors (“collegio sindacale”) is responsible for overseeing, according to the terms prescribed by law, the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor’s report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

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

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of International Factors Italia S.p.A. are responsible for preparing a directors' report of International Factors Italia S.p.A. as at 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of International Factors Italia S.p.A. as at 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the financial statements of International Factors Italia S.p.A. as at 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 11 April 2019

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

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent auditor's report in accordance with articles 14 and 19-bis of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of International Factors Italia S.p.A.

Report on the audit of the consolidated financial statements as at 31 December 2018

Opinion

We have audited the consolidated financial statements of International Factors Italia Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flows statement for the year then ended and the explanatory notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of the consolidated result of its operations and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the section of this report titled *Auditor's responsibilities for the audit of the consolidated financial statements*. We are independent of International Factors Italia S.p.A. (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements, and for appropriate disclosure thereof. In preparing the

consolidated financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the parent company International Factors Italia S.p.A. or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a manner as to give a true and fair view;

- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of International Factors Italia S.p.A. are responsible for preparing a directors' report of International Factors Italia S.p.A. as at 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the consolidated financial statements of International Factors Italia S.p.A. as at 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the consolidated financial statements of International Factors Italia S.p.A. as at 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 11 April 2019

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

This report has been translated into English from the Italian original solely for the convenience of international readers

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 Corso Italia, 15 – 20122 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 2018, 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 Sole 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 International Accounting Standards (International Accounting Standards - IAS and International Financial Reporting Standard - IFRS) issued by the International Accounting Standards Board - IASB and 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 22 December 2017 "IFRS Financial Statements of Brokers other than Banking Intermediaries and by measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005.

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.

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

In particular, the Board 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 oversaw, 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 2018 the company maintained the outsourcing of important operating functions already carried out in previous years to both Banca Nazionale del Lavoro and Business Partner Italia S.c.p.a.. For the sake of completeness, it is also noted that in the last part of the year, the Board of Directors, by resolutions of 22 November 2018 and 20 December 2018, approved the re-internalisation of the Operations outsourced to Banca Nazionale del Lavoro S.p.A. by virtue of the fact that the latter replaced Business Partners Italia S.C.p.A. as part of a corporate transaction involving the BNP Paribas Group in Italy.

Following this transaction, Ifitalia resolved, with effect from 1 January 2019, to acquire the Operations business unit from BNL S.p.A. and to outsource to BNL S.p.A. the remaining activities already outsourced and previously carried out by Business Partner Italia S.c.p.a.

The Board oversaw that activity through meetings and information obtained from the single Heads of the Outsourced Activities as well as through the examination of the specific report on the important operating functions in relation to which it also 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 Article 106 of the consolidation act of the banking and lending laws (TUB) set forth in 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 outsourced Compliance and Internal Audit divisions - received information on the annual plans of the aforesaid divisions and on the reports issued by them, assessing the results and monitoring the implementation of the corrective actions.

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 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 as amended 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”.

The Board of Statutory Auditors also monitored compliance with the obligations introduced by Italian Legislative Decree No. 90 of 25 May 2017 implementing Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and amending Directives 2005/60/EC and 2006/70/EC and implementing Regulation (EU) No. 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) No. 1781/2006.

The Board of Statutory Auditors also monitored compliance with the requirements of European Regulation No. 679 of 2016, which came into effect on 25 May 2018, and received a brief note from the Data Protection Officer describing the main actions taken to comply with this regulation.

Today, the independent auditors issued the audit report on the financial statements as at 31 December 2018 without findings or evidence of other aspects.

During the 5 meetings with the independent auditors, 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 opinions as per the law.

The Board of Statutory Auditors carried out its supervisory activities during the year, taking part in all 9 meetings of the Board of Directors and holding 7 audit meetings.

In compliance with the matters envisaged by Italian Legislative Decree No. 231/2001, the Company has an Organisation and Management Model for the prevention of the offences envisaged therein.

The Board of Statutory Auditors, also in relation to the function assigned as Supervisory Body, in the light of the legislative interventions relevant for the purposes of Italian Legislative Decree no. 231/01, which have taken place since the approval of the previous version of the Model:

- monitored the completion of the corrective actions identified by PricewaterhouseCoopers during the Risk Assessment carried out prior to updating Model 231/01;
- suggested that the Organisational and Management Model be updated in accordance with Italian Legislative Decree 231/2001, especially with regard to the amendments made to Article 25-quinquies of Italian Legislative Decree 231/2001 with the introduction of the liability of companies and entities in the category of predicate offences, and to the updating of the offence referred to in Article 2635 of the Italian Civil Code (Corruption among private individuals) and the introduction of Article 2635 bis of the Italian Civil Code (Attempted private bribery) and accessory penalties as a relevant offence for the purposes of Italian Legislative Decree 231/01, as well as the introduction of Article 25-terdecies "racism and xenophobia" in Italian Legislative Decree 231/2001, and the regulatory and organisational amendments/additions that have taken place over time;
- examined the updated version of the 213/01 Model, which was approved by the Board of Directors on 22 November 2018 and, consequently, adjusted the company's information flow statement.

In conclusion, the Board of Statutory Auditors can confirm that the supervisory activities carried out during the year and up until today 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 2018 should not be approved, disclosing a profit of EUR 33,101,167, along with the proposal to allocate the profit formulated by the Board of Directors.

Finally, the Board of Statutory Auditors notes that its mandate expires with the approval of the financial statements as at 31 December 2018 and, thanking for the trust given, invites the Shareholders' Meeting to resolve on the matter.

Milan, Italy, 11 April 2019

The Board of Statutory Auditors

Mr. Francesco Schiavone Panni
Chairman

Mr. Guido Nori
Acting Auditor

Dr. Roberto Serrentino
Acting Auditor

IFITALIA S.p.A.
INTERNATIONAL FACTORS ITALIA S.p.A.
Company subject to the management and co-ordination of BNP Paribas S.A. – Paris
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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,

Ifitalia has prepared the consolidated financial statements for the second time, which include in the scope of consolidation, other than Ifitalia, only Tierre Securitization srl, the SPV used for securitisation transactions and a de facto subsidiary of Ifitalia.

In fact, although Ifitalia does not hold any share in its capital, based on the reference accounting standards, it can be deemed that, from a financial statements point of view, it controls the SPV since it is the main party that determines its flows and is also exposed to its variable returns.

Thus, having at least one subsidiary, Ifitalia is required to prepare the consolidated financial statements as at 31 December 2018, in accordance with the regulations governing the preparation of financial statements of banks and financial companies as well as international accounting standards. Given the structure of the securitisation transactions that do not allow the receivables assigned to the SPV to be derecognised from Ifitalia's balance sheet assets, the values of the various items of the consolidated financial statements do not differ substantially from those of Ifitalia's separate financial statements. Therefore, the Company took advantage of the option to prepare a single Report on Operations to accompany both the separate and consolidated financial statements.

Ifitalia S.p.A.'s consolidated financial statements have been drawn up in accordance with the International Accounting Standards (International Accounting Standards - IAS and International Financial Reporting Standard - IFRS) issued by the International Accounting Standards Board - IASB and 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 22 December 2017 "IFRS Financial Statements of Brokers other than Banking

Intermediaries and by measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005.

The accounting standards applied in preparing the consolidated financial statements are presented in the Notes to the consolidated accounts, Part A – Accounting Policies – A.1 - General Section.

On this day, the independent auditors issued the audit report on the consolidated financial statements as at 31 December 2018 without findings or evidence of other aspects.

The 2018 consolidated financial statements closed with a consolidated net profit for the year of EUR 33,573,232 and consolidated equity of EUR 711,914,871.

For all other information relating to the activities carried on by Ifitalia, reference should be made to the report of the Board of Statutory Auditors to the 2018 separate financial statements of Ifitalia.

The Board of Statutory Auditors, to the extent of its remit, in addition to the above, did not find any significant facts that required mentioning in this report.

Milan, Italy, 5 April 2019

The Board of Statutory Auditors

Mr. Francesco Schiavone Panni
Chairman

Mr. Guido Nori
Acting Auditor

Dr. Roberto Serrentino
Acting Auditor

ORDINARY SHAREHOLDERS' MEETING HELD ON 29 APRIL 2019

Resolutions: (EXTRACT)

The shareholders meeting, chaired by Mario Girotti, met on 29 April 2019 and resolved:

- a) to approve the financial statements for the year ended 31 December 2018 as presented by the management body, as well as the report accompanying it;
- b) to allocate the profit of EUR 33,101,167 to the Statutory reserve, since the legal reserve has already reached one fifth of the share capital.