(Translation from the Italian original which remains the definitive version)

UBI Factor

Gruppo UBI Banca

2013 ANNUAL REPORT

CONTENTS

2013 COMPANY OFFICERS

Board of Directors

CHAIRMAN	Angelo Rampinelli Rota * (1)
DEPUTY CHAIRMAN	Gaudenzio Cattaneo *
	Federico Ghiano *
DIRECTORS	Alberto Ciocca
	Bruno Degrandi
	Piero Fenaroli Valotti
	Giovanni Lupinacci *
	Simona Pezzolo De Rossi
	Carlo Porcari
	Gian Cesare Toffetti

* Members of the Executive Committee

(1) deceased on 19 October 2013

Board of Statutory Auditors

Chairman	Marco Confalonieri
Standing auditors	Giorgio Ferrino
	Paolo Golia

General Management

General Manager	Attilio Serioli (2)

(2) in office since 20 September 2013 (formerly Deputy General Manager)

Independent auditors

KPMG S.p.A.

<u>Calling of the ordinary shareholders' meeting</u>

The shareholders of UBI Factor – Unione di Banche Italiane per il Factoring S.p.A. are called for an ordinary meeting at the company's office in Milan, Via Fratelli Gabba 1 **on 21 March 2014, at 2:30 pm on first call** and, if necessary, at the same place and time on 22 March 2014 on second call, to discuss and resolve on the following

agenda

1. Directors' and Statutory Auditors' reports
2. Approval of the 2013 Annual Report
3. Appointment of the Directors and Statutory Auditors and determination of their fees
4. Approval of the determination of additional fees to the Board of Statutory Auditors for their performance of the supervisory functions pursuant to Legislative decree no. 231/2001
5. Polish branch: approval of the engagement to KPMG Audyt Sp.Z.o.o.
6. Any other business.

Milan, 21 February 2014

The Deputy Chairman

Guadenzio Cattaneo
(signed on the original)

DIRECTORS' REPORT

Dear shareholders,

We would like to begin our report by noting the death of the Chairman of the Board of Directors, Angelo Rampinelli Rota, on 19 October 2013. We cherish the friendship that bound us over these years of shared professional experience, and remember him with profound esteem, affection and admiration.

The parent, UBI Banca, responsible for appointing the new Chairman, has decided to postpone such appointment until the next shareholders' meeting.

Accordingly, since the death of Angelo Rampinelli Rota, Deputy Chairman Gaudenzio Cattaneo has been responsible for carrying out the functions of Chairman pursuant to article 10 of the by-laws.

* * *

Activities on the domestic factoring market slowed in 2013 compared to the previous year, losing 2.13% in terms of turnover and 6.86% in terms of advances and considerations paid. This decline reflects the weakening global and Italian economy over the past few years and the dragging out of the 2012 recession.

UBI Factor has also seen operating volumes decrease. In particular, turnover totalled €7.60 billion at year end 2013, compared to €8.07 billion at the end of the previous year (-5.9%).
Advances and fees paid for transactions in place at 31 December 2013 are in line with the average (-6.3%). During the year, this average decreased by 11.5% to €1.94 billion, from €2.19 billion in 2012.
Total loans and receivables amount to €2.34 billion, down 2.7% on 2012 (€2.41 billion).

In terms of the company's competitive position, in 2013, it ranked fifth both in terms of turnover (which, as previously noted, amounts to €7.6 billion), with a market share of 4.43%, and outstanding loans (of €2.7 billion), with a market share of 5.01%. Furthermore, it ranks fourth in terms of advances with recourse and loans and receivables without recourse (shown above, amounting to €2.3 billion), with a market share of 5.29% (source: Assifact).

In 2013, UBI Factor strategically continued to focus its activities on customers referred from the UBI Group network banks, acting as "product factory" in line with the Group's mission to be deeply involved in its local community and economy.
The commercial partnership strategy rolled out years ago with the network banks to jointly develop business with new customers has grown continuously, reaping significant results in terms of shared profitability (fees paid to the network banks for business referrals, amounting to €9.8 million, up roughly 17% on 2012).

It has concurrently ensured effective credit risk management.

Over the years, the synergies with network banks have led to growth in volumes. Indeed, volumes generated by customers referred by the network banks accounted for 50.6% of UBI Factor's total turnover in 2013 (€3.8 billion).
In 2013, UBI Factor directly generated turnover of €1.6 billion with UBI Banca Group's captive customers, accounting for over 21% of the total.
Combining business growth with group customers through synergies with the UBI Group network banks and direct business growth generated independently by UBI Factor, total turnover generated with UBI customers amounted to €5.5 billion, out of total corporate turnover of €7.6 billion (with an impact of 72% on total turnover).

In the near future, the company plans to continue focusing, in particular, on services in close partnership with the network banks to support UBI Group customers, ensuring they enjoy comprehensive support, in the context of a comprehensive and complete offer.

Most UBI Factor customers are of high-standing and typically in the top corporate range. . As early as 2012, and to a greater extent in 2013, the company pursued a strategy to expand its target, with a focus on counterparties presenting lower annual turnover volumes (*Mid* or *Core Corporate*).

In 2013, the number of customers grew 8% from 2,385 in 2012 to 2,565 in 2013.

UBI Factor's business abroad has grown over the last few years by targeting high-standing customers through export and import factoring, which boasts sound profitability and normal credit risk.

Total company turnover at year end 2013 consists of:
- domestic turnover of approximately 54%;
- international turnover of approximately 46%.

International factoring transactions have grown both directly (78%) and through a foreign factoring correspondent (22%).

Indeed, in terms of volumes, direct transactions generated €2.73 billion of turnover, which totalled €3.49 billion in the international segment.

Captive customers account for 51% of international factoring customers, being those shared with the Group's network banks.

This growth was due, on one hand, to the company's ability to transact with leading multinational players in the automotive, electronics, steel and electrical appliance sectors, and on the other to the positive effect of business initiatives developed within the Factors Chain International *network*, a global network of major factoring companies, on traditional export markets like Turkey.

The consolidation of relationships with the high-standing customers of the Group's banks, which boast a presence abroad and international relationships, offers a new channel for international development.

Total income of €42.1 million is down on 2012 (-24.2%), mainly due to net interest income of €33.6 million, down 23.9% on 2012, following the widespread decline in bank spreads.

Fee and commission income fell 11.4% on 2012 to €20.6 million.
Fee and commission expense – mainly due to the network banks for business referrals, to the parent for the guarantee of regulatory capital and, to a lesser extent, to large debtors under agreements and third parties that also provide business referrals – amounts to €12.1 million, up 2.0% on 2012.
In the light of the above, net fee and commission income total €8.5 million, down 25.3% on 2012.
Furthermore, the trend in net fee and commission income was significantly affected by commission expense paid to the UBI Group network banks in exchange for referring business opportunities. These fees and commissions grew from €8.4 million in 2012 to €9.8 million in 2013 (+17.1%), demonstrating the central importance of activities performed in partnership with the same network banks, in connection with the partnership agreement in place between the company and such banks. Fee and commission expense to the parent for guarantees received to support regulatory capital requirements decreased from €1.3 million in 2012 to €0.6 million in 2013.

The company has discontinued factoring with creditors of the public administration.
A few exceptions to the above strategy of discontinuing the public administration sector business have been made with rather small amounts involved from captive counterparties of the Group's network banks with receivables due from public administrations that pay their debts on time.
These conditions will enable the company to identify specific opportunities in the future.
Its strategic decision to discontinue the public administration business, taken in 2011, was due to the objective difficulties that arose in this segment, in which the company is mainly exposed, following transactions in previous years with the Lazio region healthcare sector.

The collection process for these receivables remains complex, as most are affected by the legal assessment of the amount of the factored receivable, with the consequent order for the public administration to pay the factored debtor. Lengthy periods for court and legal proceedings in the sector, which doe not always lead to unambiguous decisions in the cases considered affect the judicial process of this assessment.

In the second half of 2013, the situation with public administration bodies saw a positive development due to both Law decree no. 35/2013 of 8 April 2013, which introduced measures for the payment of past due receivables by the public administration, and the Constitutional Court's ruling no. 186/2013 of 3 July 2013, which found the order to suspend the executive procedures against the local healthcare units in the regions that signed the healthcare sector deficit restructuring plans unconstitutional.
Due the above ruling, payments by the local healthcare units have begun, as greater financial resources are available, while executive actions resumed in the fourth quarter of 2013, leading to more opportunities for the collection of credit assessed as collectable in court.
Accordingly, there could be greater cash flows from the local healthcare units in 2014 – and some signs in this respect have already been seen – making it possible to reduce the portfolio of past due debt..

Despite the positive effects of the legislative measures introduced, the status of certain operators – hospitals that provide health services in particular – remains critical and lead to bankruptcy proceedings, after futile attempts through recent bail-out measures under the Bankruptcy Act. This created the need for the company to reclassify one significant position from doubtful to non-performing (due from Provincia Italiana della Congregazione dei Figli dell'Immacolata Concezione), despite the fact that total amounts due from the public administration acquired through factoring transactions greatly exceed the advances to the originator.

Supervisory regulations provide for special treatment for exposure to the public administration that is classified as "past due". Receivables from the public administration are considered past due when the administrative assessment and settlement procedures required by law have been completed.
To this end, the company is currently analysing the application of these regulations to the portfolio of receivables from the public administration that it has acquired.

In the light of the above, net impaired non-performing assets rose to €226 million from €79.1 million at 31 December 2012 and make up 10.22% of the portfolio (3.31% in 2012), with coverage of 10.61%.
Doubtful receivables therefore decreased to €3.6 million (31 December 2012: €153.6 million) and make up 0.14% of the portfolio (6.42% in 2012).

The cost of credit led to net impairment losses on financial assets of €11.9 million (including impairment losses of €6.8 million recognised on an individual basis and collective accruals to the allowance for impairment losses of €5.1 million), making up 0.51% of the total caption 60 - Loans and receivables recognised in the statement of financial position (assets side) compared to €26.8 million (1.11%) at 31 December 2012. These impairment losses mainly relate to the Lazio healthcare segment.

The company has a legal risk in the same segment generating a contingent liability of €60 million and relating to legal proceedings pending against the Rome H local healthcare unit. The company is a joint actor with Tosinvest-Angelucci Group in the proceedings concerning invoices issued by the aforementioned originator to the Rome H local healthcare unit, which the latter paid to UBI Factor following an injunction order, which was subsequently appealed.
Reference should be made to the notes to the financial statements for additional details.

The collective impairment losses were calculated using a fine-tuned method that more comprehensively considers developments in and the significance of the portfolio of receivables from the public administration.

Operating expenses were cut significantly: administrative expenses came to €19.2 million, compared to €22.0 million in 2012 (-13.0%), while personnel expense amounted to €10.5 million, compared to €12.7 million in 2012 (-17.8%). Other administrative expenses, totalling €8.7 million, decreased €0.6 million on 2012 (-7.0%).

The cost/income ratio, which is equal to administrative expenses plus depreciation and net impairment losses on property and equipment and amortisation and net impairment losses on intangible assets divided by total income plus net other operating income, came to 45.54%, down 5.71% on the 39.83% of the previous year due to the greater impact of the reduction in total income than the decrease in administrative expenses.

The tax charge was calculated considering the recent changes introduced for companies in the financial and insurance sector (the corporate income tax rate, "IRES", was raised from 27.5% to 36.0%, generating greater current taxes of €0.8 million, and there were substantial changes in the deductibility of impairment losses on loans and receivables). Accordingly, the total tax rate is now 38.4%.

The financial statements as at and for the year ended 31 December 2013, prepared in accordance with IFRS, show a profit for the year of €7.3 million, net of income tax of €4.6 million, a 119.8% increase on the profit of €3.3 million for 2012.

A consistent comparison uninfluenced by non-recurring items relating to the aforementioned increases in the collective impairment losses (€5.1 million) and the IRES rate (€0.8 million), would entail a normalisation of the 2013 income statement, with a profit of over €11.1 million (+232% on 2012 and +51% on 2013).

in thousands of Euros	31-Dec-13	Non-recurring items fine-tuning of the calculation method for collective impairment losses	 8.50% increase in the IRES rate (Law decree no. 133/2013	31-Dec-13 net of non-recurring items	31-Dec-12
	41,488			41,488	61,234
20. Interest and similar expense	-7,854			-7,854	-17,031
Net interest income	**33,634**			**33,634**	**44,203**
30. Fee and commission income	20,595			20,595	23,240
40. Fee and commission expense	-12,093			-12,093	-11,854
Net fee and commission income	**8,502**			**8,502**	**11,386**
Total income	**42,136**			**42,136**	**55,589**
100. Net impairment losses on:	-11,928	5,135		-6,793	-26,807
a) financial assets	-11,928	5,135		-6,793	-26,807
110. Administrative expenses:	-19,181			-19,181	-22,035
a) personnel expense	-10,452			-10,452	-12,722
b) other administrative expenses	-8,729			-8,729	-9,313
120. Depreciation and net impairment losses on property and equipment	-141			-141	-255
130. Amortisation and net impairment losses on intangible assets	-528			-528	-530
150. Net accruals to provisions for risks and charges	103			103	-505
160. Net other operating income	1,452			1,452	1,709
Operating profit	**11,913**			**17,048**	**7,166**
170. Gains on equity investments	-			-	740
Pre-tax profit from continuing operations	**11,913**			**17,048**	**7,906**
190. Income taxes on continuing operations	-4,571	-2,134	750	-5,955	-4,565
Normalised profit for the year	**7,342**			**11,093**	**3,341**

ROE came to 5.75%, up on 2012 (2.64%).

With respect to UBI Factor's direct presence abroad, the Polish branch's operations in 2013 generated final results in line with 2012: turnover amounts to €438 million, compared to €462 million in 2012, while average loans rose to €91 million from €86.8 million in 2012.
The Polish branch posted a gross operating profit of €2.1 million (€2.5 million in 2012) and total income of approximately €2.4 million (€2.8 million in 2012).
Starting from 2012, the Polish branch's financial statements, prepared in local GAAP, have been audited. This mandatory decision was due to adoption of a new "accounting method" for the tax treatment of exchange rate gains and losses. It led to elimination of the dual "accounting/tax" approach to determine the tax base and the related simplification of administrative requirements as provided for by the Polish tax legislation (the Corporate Income Tax Act)

With respect to the content of Banca d'Italia/Consob/ISVAP document no. 2 of 6 February 2009, the Banca d'Italia, Consob and ISVAP coordination forum on applying IFRS, concerning "Disclosures in financial reports on the going concern assumption, financial risks, impairment testing of assets and uncertainties in the use of estimates", together with article 2428 of the Italian Civil Code, it is noted that the company is currently able to continue as a going concern for the foreseeable future, and the financial statements that follow have been prepared on the basis of this assumption.

Considering the range of factors relating to the company's current and expected profitability, the payment and collection plan of contractual counterparties, sources of funding – mainly the parent, UBI Banca – the company does not currently present any factors of uncertainty and/or doubt regarding its ability to continue as a going concern. To this end, there are no negative indicators, such as, but not limited to, those provided for by Document 570 "Going concern" recommended by Consob in its resolution no. 16231 of 21 November 2007.

The inspection of the company that Banca d'Italia began on 7 November 2012 pursuant to article 108 of Legislative decree no. 385/1993 ended on 6 February 2013. The inspection report was delivered on 23 April 2013.

The company and its parent, UBI Banca, took immediate steps to provide the Supervisory Authorities with accurate information and counter arguments in response to the findings and observations cited in the report, and illustrated the measures planned in the relevant areas, and the related updates.

As required by article 6.2 of Banca d'Italia measure of 31 July 1992, and on the basis of article 2428 of the Italian Civil Code, the following information is provided:

a) **Research and development**: the company did not carry out any research and development activities during the year.

b) **Number and nominal amount of treasury shares and shares of the parent**: the company does not directly or indirectly own treasury shares or shares of its parent. It did not acquire and/or sell treasury shares or shares of the parent either directly or through trustees or nominees during the year.

c) **Outlook:** throughout the entire year, activities continued in preparation for UBI Factor' migration to the new IT system developed on the basis of the specific software solutions owned by a third party provider. Nevertheless, although it continues to prepare the technological environment and operating conditions that ensure substantial independence from the provider, the company believes it necessary to verify, in advance, the development of corporate events involving the provider's group before migrating to the new IT system.
In 2014, in short, the company expects to take the following development steps, in line with the approved 2014 budget:
   - ✓ focus on the percentage impact of business from the network banks on total company volumes;
   - ✓ increase in transactions with the Group's captive and international customers.

d) **Related party transactions**: pursuant to article 2497-*bis*.4 of the Italian Civil Code, it is noted that within the scope of management and coordination by UBI Banca S.c.p.A., as parent, the company benefitted from synergies arising from its membership of the Group, using such synergies to improve business management and development.

   Transactions with the parent UBI Banca and the group companies, which mainly consist of bank credit facilities, are carried out on an arm's length basis, without potential conflicts of interests involving directors.

   Guarantees issued by UBI Banca cover large exposures to important debtors. Fee and commission expense is recognised on such guarantees.

The costs of other services provided by the parent or group companies (relating to the activities described in the “General service catalogue” in connection with auditing services, accounting and administration coordination, human resources, cost optimisation, loans and receivables, risk management, information technology and procurement process management) are charged on the basis of master agreements for the provision of technical and administrative services.

Furthermore, a business partnership agreement is in place with the Group’s network banks for the acquisition of factoring transactions, whereby commissions are recharged for the referral of business opportunities.

The company participates in the UBI Banca Group national tax consolidation scheme.

The nature of the captions and amounts is detailed in the individual statement of financial position and income statement captions in Section 6 - “Related party transactions”.

e) **<u>Significant events after the reporting date</u>**: the company did not perform any atypical or unusual transactions after the reporting date, nor were any underway at that date, whereby such transactions are those outside the scope of normal operations and that could significantly impact the company’s financial position and results of operations.

f) **<u>Derivatives</u>**: the company has no derivatives at the reporting date. Accordingly, there is no fair value disclosure to provide.

g) **<u>Other information</u>**: during the year, the company met its reporting obligations to Banca d’Italia with respect to supervisory activities, the Credit Information Centre and usury.

The company has taken the measures required by safety legislation (Legislative decree no. 81/2008). In particular, following the changes to its organisational structure, the need arose to update the system used to delegate functions in order to better organise accident-prevention controls.
The company’s new organisational chart for health and safety in the workplace has been disclosed to all employees.

With respect to data protection, the company updated the “Data Protection Document” in April 2013. Although it is no longer required to prepare this document, in accordance with the parent’s instructions, the company has decided nonetheless to prepare the document in order to more effectively monitor compliance with data protection code measures.
Furthermore, the company has updated its “Sole Data Protection Document” and consequently issued specific organisational provisions, following new legislation, in order to simplify data protection requirements for data treatment owners.

The company has complied with legislative provisions concerning risk assets and conflicts of interest with related parties, related party transactions and directors’ interests, in accordance with IAS 24.
Following the amendments to Legislative decree no. 385/1993 (the Consolidated Banking Act) introduced by Law no. 221 of 17 December 2012 (known in Italy as the Development Law-*bis*), article 136 of the Consolidated banking act applies to banks only and no longer the companies within a banking group, like UBI Factor, which is, accordingly, no longer subject to the related measures.

With respect to the transparency of bank and financial services, the company complies with the law and Banca d’Italia requirements.

In conjunction with its parent, the company meets the legal requirements concerning the correct keeping of the “Register of persons with access to privileged information” established by UBI Banca pursuant to article 115-*bis* of the Consolidated finance act.
During the year, the parent, UBI Banca, had updated the Group’s regulation governing the management and disclosure of privileged information. The document was approved and consequently adopted by UBI Factor’s Board of Directors.

With respect to the anti-money laundering and counter-terrorism legislation (Legislative decree no. 231/2007), the company continued to consolidate its operating practices in compliance with its internal "Anti-money Laundering Rule" and internal memoranda signed by the General Manager. In particular, during the second half of 2013, all employees were given detailed operating instructions for the performance of periodic controls over the course of relationships with clients, in accordance with the provisions of article 18 of Legislative decree no. 231/2007.

In terms of the legislation concerning the liability of entities for administrative offences deriving from crimes (Legislative decree no. 231/2001), during the meeting held on 25 October 2013, UBI Factor's Board of Directors appointed the new members of the supervisory body in accordance with the guidelines provided by the parent, UBI Banca, providing for the assignment of the duties of the supervisory body to the board of statutory auditors in compliance with Banca d'Italia provisions.
To this end, during the same meeting, the Board of Directors also approved the update of the "Document describing the organisational, management and control model pursuant to Legislative decree no. 231/2001 of UBI Factor S.p.A.".
During the year, activities began and are still underway for the update and overall revision of the Model, mainly to include new crimes under Legislative decree no. 231.

With Law no. 136 of 13 August 2010 "Extraordinary plan against the mafia and anti-mafia legislation proxy to the government", the company adopts specific operating procedures to ensure compliance with the obligations of article 3 "Traceability of cash flows".

The company adopts the alternative digital filing procedure, regulated by specific legal provisions (Legislative decree no. 52 of 20 February 2004, Legislative decree no. 82 of 7 March 2005 and subsequent specific technical regulations), for the journal, management subsystem ledgers and inventories book.

Under article 11.2 and subsequent articles of Decree law no. 201/2011, converted into Law no. 214/2011, financial intermediaries are required to provide the local tax office with the list of balances and changes in the individual relationships with clients relating to 2011 and subsequent years.
The information for 2011 was sent by 31 October 2013, using extremely complex technical methods, in order to ensure the security and confidentiality of the data, which will, depending on the purposes of the regulations, be used to determine whether or not to carry out tax investigations/controls on taxpayers.

In accordance with the Group's guidelines and with UBI Banca's prior validation, the revision of the company's organisational structure was approved and the new structure has been gradually applied since 1 July 2013. In keeping with the strengths of the existing model, the organisational changes enable the new structure to better respond to market demand and the need to focus more on the segregation of preliminary investigation stages and the credit approval process, to minimise the number of structures involved in the stages of the process, to simplify and streamline it, and to contribute to reinforcing the implementation of company risk control guidelines and policies.
The main actions have included the establishment of three service units on the domestic market, organised on a regional basis (Northwest Italy Market, Northeast Italy Market, South-central Italy Market) and an International Market Unit replacing the pre-existing Network Bank and Direct Development Market, Public Administration Market and the Captive Market Units. In addition, the Polish branch now reports to the International Market Unit, and a Debtor Management Function has been created, reporting to the Commercial Area and covering all markets. Finally, all administrative activities for both domestic and international factoring transactions have been grouped together under the Operations Unit.

As part of the efficiency and streamlining projects, the company began a project leading to the overall revision of the company's system of powers, in accordance with the provisions of the relevant legislative context and developments in the organisational structure.

The Board of Directors has delegated some of its powers to senior company managers, preventing the concentration of operating powers among the top management, which maintains more or less tight control over duties delegated through required periodic reporting.
The company adopts a hierarchical organisational structure which is scaled according to the breadth of projects, mainly based on the organisational level.
The system of powers does not supersede that already set forth by other components of the company's regulatory system, but rather integrates it, describing and detailing significant processes.

In 2013, various steps were taken following UBI Group's decision to further strengthen the parent's supervision and governance mechanisms with the product factories.

With respect to management, coordination and control, specific functional lines have been established for UBI Banca's Chief Risk Officer, Chief Financial Officer, Chief Operating Officer, General Affairs and Equity Investments Officer, Chief Business Officer and Chief Lending Officer with UBI Factor's individual organisational structures, for supervision with respect to the areas for which they are respectively responsible.

In December 2013, the relevant bodies of the parent UBI Banca and UBI Factor approved the centralisation of second-level control functions (risk management, compliance and anti-money laundering) and planning, management control, administration and budgeting with the related migration of support IT systems, to be progressively implemented in the months to come.
The work will be carried out in two stages: first the peripheral functions will be grouped together and subsequently the support IT systems will migrate.

In line with the actions taken to strengthen management, coordination and control activities, although not explicitly required by the new provisions of Banca d'Italia, UBI Banca required UBI Factor and the Group's other non-banking companies to perform a gap analysis in view of the preparation of the self-assessment pursuant to the provisions issued by Banca d'Italia on 2 July 2013 concerning the "Internal controls, IT system and operating continuity".
The company performed the gap analysis together with the parent and UBI Sistemi e Servizi, using a specific format shared with other group companies. The current situation, gaps, related relevance in terms of their impact, the measures to be adopted and the timeframe were analytically identified for each legislative requirement provided for by the new provisions.
UBI Banca's relevant bodies approved the preliminary results of the analysis in December 2013 and UBI Factor's relevant bodies approved those for which it was concerned in January 2014.

In order to further strengthen lending risk control, since 1 July 2013, the exercise of the credit approval powers provides for a new configuration for the Credit Committee, with the addition of a member of UBI Banca's Credit Area and a member of UBI Banca's Irregular Credit and Credit Recovery Area, both with veto powers (for their respective areas). This committee is also responsible for evaluating the credit applications for which the executive committee and the Board of Directors are responsible.

Measures continued in 2013 to support companies undergoing difficulties due to the current economic situation. As in the past, UBI Factor and the UBI Banca Group participated in the new Credit Agreement for 2013, which ABI and the main sector associations signed on 1 July 2013.
Moreover, these difficulties are fairly modest for UBI Factor.

Overall, the company complies with the legislative provisions applicable to financial intermediaries included in the list pursuant to article 107 of Legislative decree no. 385/1993 (the Consolidated Banking Act).

h) **Risk exposure and risk management techniques:** reference should be made to Section 3 – "Risks and risk management policies" of the notes to the financial statements in its entirety. There are no risks of fluctuations in cash flows and no other significant risks or uncertainties other than those detailed in Section 3.

i) **Personnel**: the company's workforce numbered 148 employees at year end (including 143 full-time employees, 19 of whom on secondment from other group companies and three seconded to other group companies), a decrease of three employees on 31 December 2012 .
During the year, five employees left the company, with a net increase of three employees arising from flows to and from other group companies.
On 20 September 2013, as instructed by the parent UBI Banca's relevant bodies, the Board of Directors approved the appointment of the Deputy General Manager and General Manager.
With respect to the aforementioned centralisation of second-level control functions (*risk management*, *compliance*, anti-money laundering) and planning, management control, administration and budgeting with the parent, UBI Banca, on 15 January 2014, an agreement was signed with the trade unions. In terms of regional mobility, the agreement identifies the allocation of resources at regional hubs that are already in place, in order to privilege the relocation of activities rather than employees.

Breakdown by age (average 45.24: women 45.17; men 45.31):

AGE BRACKET	**31.12.2013**	***% of total workforce***	***including women***	**31.12.2012**	***% of total workforce***	***including women***
1) 21-30	8	5.41%	*6*	11	7.28%	*7*
2) 31-40	36	24.32%	*12*	34	22.52%	*10*
3) 41-50	68	45.95%	*38*	68	45.03%	*38*
4) 51 and over	36	24.32%	*15*	38	25.17%	*18*
Total	**148**	**100.00%**	***71***	**151**	**100.00%**	***73***

Breakdown by service seniority (average 17.05: women 19.27; men 15.02):

SERVICE SENIORITY	**31.12.2013**	***% of total workforce***	***including women***	**31.12.2012**	***% of total workforce***	***including women***
1) UP TO 5	24	16.22%	*12*	37	24.50%	*18*
2) 6-10	27	18.24%	*5*	27	17.88%	*5*
3) 11-20	37	25.00%	*13*	33	21.85%	*16*
4) OVER 21	60	40.54%	*41*	54	35.76%	*34*
Total	**148**	**100.00%**	***71***	**151**	**100.00%**	***73***

Breakdown by position:

POSITION	**31.12.2013**	***% of total workforce***	***including women***	**31.12.2012**	***% of total workforce***	***including women***
1) MANAGERS	9	6.08%	*0*	7	4.64%	*0*
2) THIRD LEVEL - FOURTH LEVEL JUNIOR MANAGERS	34	22.97%	*9*	38	25.16%	*10*
3) FIRST LEVEL - SECOND LEVEL JUNIOR MANAGERS	32	21.62%	*11*	29	19.21%	*11*
4) PROFESSIONALS	73	49.32%	*51*	77	50.99%	*52*
Total	**148**	**100.00%**	***73***	**151**	**100.00%**	***73***

* * *

As coordinated with the parent, company employees continued to attend training courses, focusing on their daily experience and aimed at providing them with technical-specialist knowledge and relationship and management skills. Roughly 508 man-days of classroom training were held, in addition to online courses available to all personnel.

In order to continue the harmonisation of HR assessment processes and tools within the Group, utilisation of a common language and interaction with employees in an increasingly transparent manner that encourages participation, the company carried out its professional assessments using the same criteria as those adopted by the parent, focusing on each employee's responsibility to contribute to their professional growth through feedback and the sharing of objectives to ensure team success.

l) **Branches:** the company does not have any branches.

Allocation of the profit for the year

We propose allocating the entire profit for 2013, amounting to €7,342,390.76, to other reserves.

We ask that you approve the financial statements and the allocation of the profit for the year as proposed above.

Finally, the three-year mandate of the Board of Directors and the board of statutory auditors will expire with the shareholders' approval of the financial statements at 31 December 2013. We therefore invite you to resolve accordingly.

Deputy Chairman of the Board of Directors
Gaudenzio Cattaneo
(signed on the original)

Milan, 21 February 2014

2013 ANNUAL REPORT

Financial statements of financial intermediaries pursuant to article 107 of the Consolidated Banking Act

(Banca d'Italia – 21 January 2014)

STATEMENT OF FINANCIAL POSITION
(Euros)

ASSETS	31-dic-13	31-dic-12
10. Cash and cash equivalents	4,447	13,412
50. Held-to-maturity investments	9,296,498	9,007,233
60. Loans and receivables	2,344,029,233	2,409,064,139
90. Equity investments	392,836	392,836
100. Property and equipment	224,415	346,413
110. Intangible assets	47,684	568,894
120. Tax assets	14,825,538	10,932,362
a) current	3,986,923	2,660,420
b) deferred	10,838,615	8,271,942
including as per Law no. 214/2011	10,017,760	7,277,847
140. Other assets	11,718,567	9,292,295
Total assets	**2,380,539,249**	**2,439,617,584**

LIABILITIES AND EQUITY	31-dic-13	31-dic-12
10. Financial liabilities	2,209,505,043	2,276,172,079
70. Tax liabilities	3,627,634	4,237,513
a) current	3,621,286	4,230,434
b) deferred	6,347	7,079
90. Other liabilities	28,492,598	24,342,761
100. Post-employment benefits	2,385,967	2,684,768
110. Provisions for risks and charges:	1,472,482	2,158,229
b) other provisions	1,472,482	2,158,229
120. Share capital	36,115,820	36,115,820
150. Share premium	2,065,828	2,065,828
160. Reserves	89,890,351	88,824,850
170. Valuation reserves	(358,865)	(325,219)
180. Profit for the year	7,342,391	3,340,955
Total liabilities and equity	**2,380,539,249**	**2,439,617,584**

INCOME STATEMENT
(Euros)

	2013	2012
10. Interest and similar income	41,488,290	61,233,630
20. Interest and similar expense	(7,853,691)	(17,031,492)
Net interest income	**33,634,599**	**44,202,138**
30. Fee and commission income	20,594,769	23,239,973
40. Fee and commission expense	(12,092,914)	(11,854,337)
Net fee and commission income	**8,501,855**	**11,385,636**
Total income	**42,136,454**	**55,587,774**
100. Net impairment losses on:	(11,928,337)	(26,806,561)
a) financial assets	(11,928,337)	(26,806,561)
110. Administrative expenses:	(19,180,988)	(22,034,702)
a) personnel expense	(10,452,315)	(12,721,947)
b) other administrative expenses	(8,728,673)	(9,312,755)
120. Depreciation and net impairment losses on property and equipment	(141,216)	(254,532)
130. Amortisation and net impairment losses on intangible assets	(527,446)	(530,029)
150. Net accruals to provisions for risks and charges	102,607	(504,845)
160. Net other operating income	1,451,846	1,708,929
Operating profit	**11,912,920**	**7,166,036**
170. Net gains on equity investments	-	740,017
Pre-tax profit from continuing operations	**11,912,920**	**7,906,053**
190. Income taxes on continuing operations	(4,570,529)	(4,565,098)
Post-tax profit from continuing operations	**7,342,391**	**3,340,955**
Profit for the year	**7,342,391**	**3,340,955**

STATEMENT OF COMPREHENSIVE INCOME

(Euros)

		2013	2012
10.	Profit for the year	7,342,391	3,340,955
	Other comprehensive expense, net of income tax that will not be reclassified subsequently to profit or loss		
20.	Property and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(33,646)	(201,981)
50.	Non-current assets held for sale	-	-
60.	Portion of valuation reserves of equity-accounted investees	-	-
	Other comprehensive expense, net of income tax that will be reclassified subsequently to profit or loss		
70.	Hedges of investments in foreign operations	-	-
80.	Exchange rate gains (losses)	-	-
90.	Cash flow hedges	-	-
100.	Available-for-sale financial assets	-	-
110.	Non-current assets held for sale	-	-
120.	Portion of valuation reserves of equity-accounted	-	-
	investees	-	-
130.	Total other comprehensive expense, net of income tax	(33,646)	(201,981)
140.	Comprehensive income (Captions 10+130)	7,308,745	3,138,974

STATEMENT OF CHANGES IN EQUITY

(Euros)

	Balance at 31-12-2011	Restatement of opening balance	Balance at 01-01-2012	Allocation of prior year profit		Changes of the year						2012 comprehensive income	Equity at 31-12-2012
							Equity transactions						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other changes		
Share capital	36,115,820	-	36,115,820										**36,115,820**
Share premium	2,065,827	-	2,065,827										**2,065,827**
Reserves:	83,110,866	-	83,110,866	5,713,984	-			-	-	-	-	-	**88,824,850**
a) income-related	74,895,843	-	74,895,843	5,713,984									**80,609,827**
b) other	8,215,023	-	8,215,023										**8,215,023**
Valuation reserves	(123,238)	-	(123,238)									(201,981)	**(325,219)**
Equity instruments	-	-	-										-
Treasury shares													
Profit for the year	6,755,786	-	6,755,786	(5,713,984)	(1,041,802)							3,340,955	**3,340,955**
Equity	**127,925,061**	-	**127,925,061**	-	**(1,041,802)**			-	-	-	-	**3,138,974**	**130,022,233**

	Equity at 31-12-2012	Restatement of opening balance	Balance at 01-01-2013	Allocation of prior year profit		Changes of the year						2013 comprehensive income	Equity at 31-12-2013
							Equity transactions						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other changes		
Share capital	36,115,820	-	36,115,820										**36,115,820**
Share premium	2,065,827	-	2,065,827										**2,065,827**
Reserves:	88,824,850	-	88,824,850	1,065,502	-			-	-	-	-	-	**89,890,352**
a) income-related	80,609,827	-	80,609,827	1,065,502									**81,675,329**
b) other	8,215,023	-	8,215,023										**8,215,023**
Valuation reserves	(325,219)	-	(325,219)									(33,646)	**(358,865)**
Equity instruments	-	-	-										-
Treasury shares													
Profit for the year	3,340,955	-	3,340,955	(1,065,502)	(2,275,453)							7,342,391	**7,342,391**
Equity	**130,022,233**	-	**130,022,233**	-	**(2,275,453)**			-	-	-	-	**7,308,745**	**135,055,525**

STATEMENT OF CASH FLOWS

(Direct method) - (Euros)

A. OPERATING ACTIVITIES	2013	2012
1. OPERATIONS	**17,269,377**	**25,568,754**
- Interest income collected (+)	41,488,290	61,233,630
- Interest expense paid (-)	(7,853,691)	(17,031,492)
- Dividends and similar income (+)	-	-
- Net fee and commission income (+/-)	8,501,854	11,385,636
- Personnel expense (-)	(10,452,315)	(12,721,947)
- Other costs (-)	(8,728,673)	(9,312,755)
- Other revenue (+)	1,451,846	2,448,946
- Taxes and duties (-)	(7,137,934)	(10,433,264)
- Expense/revenue of disposal groups, net of tax effect (+/-)	-	-
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**90,599,057**	**453,095,459**
- Financial assets held for trading	-	-
- Financial assets at fair value through profit or loss	-	-
- Available-for-sale financial assets	-	-
- Loans and receivables with banks	(3,415,117)	(576,165)
- Loans and receivables with financial institutions	19,153,732	6,063,661
- Loans and receivables with customers	78,613,216	443,953,013
- Other assets	(3,752,775)	3,654,950
3. CASH FLOWS USED FOR FINANCIAL LIABILITIES	**(64,041,934)**	**(461,950,280)**
- Due to banks	(73,295,170)	(459,256,530)
- Due to financial institutions	-	-
- Due to customers	6,628,134	(3,608,010)
- Securities issued	-	-
- Financial liabilities held for trading	-	-
- Financial liabilities at fair value through profit or loss	-	-
- Other liabilities	2,625,102	914,260
NET CASH FLOWS (USED) GENERATED BY OPERATING ACTIVITIES	**43,826,500**	**16,713,933**

B. INVESTING ACTIVITIES	31.12.2013	31.12.2012
1. CASH FLOWS GENERATED BY	-	**324,000**
- Sales of equity investments	-	324,000
- Dividends collected	-	-
- Sales/repayments of held-to-maturity investments	-	-
- Sales of property and equipment	-	-
- Sales of intangible assets	-	-
- Sales of business units	-	-
2. CASH FLOWS USED BY	**(314,719)**	**(371,623)**
- Acquisitions of equity investments	-	(1,500)
- Acquisitions of held-to-maturity investments	(289,265)	(290,727)
- Purchases of property and equipment	(19,218)	(71,661)
- Purchases of intangible assets	(6,236)	(7,735)
- Purchases of business units	-	-
NET CASH FLOWS USED BY INVESTING ACTIVITIES	**(314,719)**	**(47,623)**

C. FINANCING ACTIVITIES	31.12.2013	31.12.2012
- Issue/repurchase of treasury shares	-	-
- Issue/purchase of equity instruments	-	-
- Distribution of dividends and other allocations	(2,275,453)	(1,041,802)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	**(2,275,453)**	**(1,041,802)**
NET CASH FLOWS OF THE YEAR A+B+C	**41,236,327**	**15,624,508**

RECONCILIATION

Opening cash and cash equivalents	16,578,919	954,411
Total net cash flows of the year	41,236,327	15,624,508
Closing cash and cash equivalents	57,815,246	16,578,919

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements include the following parts:

1) Part A – Accounting policies
2) Part B – Notes to the statement of financial position
3) Part C – Notes to the income statement
4) Part D – Other information

Every part of these notes is divided into sections, each of which illustrates an individual aspect of company operations. The sections provide both qualitative and quantitative information.

Part A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 - Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standards Board) and endorsed by the European Commission, as established by EU regulation 1606 of 19 July 2002 regulating the endorsement of IFRS and subsequent amendments and integrations.

The financial statements have been prepared using the formats contained in the instructions of Banca d'Italia Governor's measure dated 21 January 2014 "Instructions for the preparation of the financial statements of financial intermediaries pursuant to article 107 of the Consolidated Banking Act, payment institutions, electronic money institutions (IMEL), fund management companies (SGR) and asset management companies (SIM)", which fully supersede the instructions attached to the regulation of 13 March 2012.

Section 2 - Basis of preparation

The company has applied the IFRS also with reference to the "Framework for the preparation and presentation of financial statements" with particular regard to the essential clauses for the preparation of financial statements relating to the principle of substance over form and the concept of information relevance and materiality.

The financial statements have been prepared on an accruals basis. The statement of cash flows has been prepared on a cash basis.

Assets and liabilities and expense and revenue are only offset if this is required or permitted by a standard or interpretation.

The financial statements consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes thereto. The financial statements are accompanied by the directors' report on the company's performance and financial position.

The financial statements have been prepared on a going concern basis, in accordance with IAS 1.

The presentation and classification criteria of the financial statements captions are consistent from one year to the next, unless a change therein is required by a standard or interpretation or unless this is necessary in order to increase the significance and reliability of presentation. In the event that a standard is revised, this is applied retrospectively and the nature, reason and amount of the captions concerned by the revision are indicated.

The tables provided in the notes to the financial statements are in thousands of Euros and also present prior year comparative figures.

Section 3 – Events after the reporting period

As required by IAS 10, it is reported that in the period between the reporting date and the date of approval of the financial statements, on the basis of all currently available information, nothing arose that would entail an adjustment to the figures presented.

Section 4 – Other matters

Collective impairment losses on performing loans and receivables.

In 2013, the company fine-tuned the method used to calculate collective accruals to the allowance for impairment.

In particular:

- it revised the calculation method for the following indicators: EAD (Exposure At Default - constituting the estimated future value of exposure when the relevant debtor defaults), PD (Probability of Default - the probability that the debtor will default within one year) and LGD (Loss Given Default – the estimated loss in the event of debtor default) in order to consider the greater risk of the portfolio of receivables due from the public administration;

- it adopted internal loss rates for volumes, rather than using those published by Banca d'Italia for the entire system, based on a significant period of time (12 quarters) and recognising the default of debtors by EAD;

- it identified two specific portfolios: "Public administration" and "Others", prudently maintaining the regulatory LGD of 45% for the latter, while applying the average rate of impairment losses on non-performing loans observed over the past 12 quarters for the former.

These changes had a total impact on the 2013 income statement of approximately €5.1 million, and were reflected in the normalised income statement presented in the directors' report.

Changes to tax provisions for companies in the banking, insurance and financial sector, introduced by Law decree no. 151 of 30 November 2013 (converted into the Law of 29 January 2014) and the "2014 Stability Law" (Law no. 147 of 27 December 2013, which took effect on 1 January 2014)

The changes with the most significant impact concerned:

a) the introduction – solely for the tax period underway at 31 December 2013 - of an additional tax levied at a rate of 8.5% compared to the ordinary IRES rate of 27.5%, thereby bringing IRES to 36% in 2013. However, this additional tax is not due on increases due to non-deductible impairment losses of the year. As it is a one-time increase, it is normalised in the income statement. Reference should be made to the "Normalised income statement, net of non-recurring items" at the end of this paragraph for information in this respect;
b) an increase in the IRES advance for 2013 up to 130% (102.5% for other IRES taxpayers).
c) the introduction of a new IRES/IRAP deductibility system for impairment losses on loans

and receivables. First, from 2013, the change entails a new time period for the deduction of impairment losses and losses on loans and receivables for IRES purposes from the current 18 years (starting from the year following their recognition) solely for impairment losses exceeding 0.3% of total loans and receivables to just five years (starting from the year in which they are recognised) for all impairment losses and losses on loans and receivables (which were previously entirely deductible in the year of recognition), except for those realised through sale in exchange for consideration, which are still immediately deductible. Secondly, the same deductibility system has been extended to IRAP as well.

The consequent impact on profit or loss is described at the foot of the table in the note to "Income taxes".

Greater tax charges of €750 thousand following the introduction of the 8.50% increase in the IRES rate have been reflected in the normalised income statement given in the directors' report.

Other matters

When preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the application of the accounting policies, as well as the carrying amounts of assets, liabilities, expenses and revenue. These estimates and the related assumptions are based on past experience and factors that management considers reasonable in each case, and are used to estimate the carrying amount of assets and liabilities that would not be easily calculated using other sources.

These estimates and assumptions are reviewed regularly. Any changes due to revisions of estimates are recognised in the year in which the revision is applied, if it only affects that year. If the revision affects current and future years, the change is recognised in the year in which the revision was applied and in subsequent years.

The financial statements have been audited, as required by article 14 of Legislative decree no. 39 of 27 January 2010 and articles 156 and 165 of Legislative decree no. 58 of 24 February 1998, by the independent auditors KPMG S.p.A. on which the shareholders, during the meeting of 5 April 2007, conferred the legally-required audit engagement for 2007-2015.

A.2 – NOTES TO THE MAIN FINANCIAL STATEMENTS CAPTIONS

The recognition, classification, measurement and derecognition criteria for the main financial statements captions are described below.

A.2.1 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity which the company intends and is able to hold to maturity.

The company has classified in this caption variable yield investment insurance policies that guarantee the surety given to the tax authorities to secure a VAT receivable for which the company is factor and for which it is contractually obligated to hold to maturity.

Measurement

These assets are recognised at the purchase option amount at the preparation date of the financial statements. The amortised cost is recognised under "Interest and similar income" in the income statement, as a reduction in the carrying amount of the investment (yield capitalisation).

Derecognition

Held-to-maturity investments are derecognised when the contractual rights to cash flows from such assets expire or when the asset is transferred with the substantial transfer of all the risks and rewards of ownership.

A.2.2 Loans and receivables

Loans and receivables consist of non-derivative financial assets with customers and banks with fixed or determinable payments, which are not listed on an active market.

Recognition

In accordance with the general principle of substance over form, an entity may derecognise a financial asset only if, due to transfer, it has transferred the risks and rewards associated with that asset.

Indeed, IAS 39 requires a company to derecognise a financial asset if and only if:
a) the financial asset has been transferred and, with it, substantially all the risks and contractual rights to cash flows from the asset expire;
b) the rewards associated with ownership of the asset no longer exist.

A company transfers a financial asset if, and only if, it either:
a) transfers the contractual rights to receive the cash flows of the financial asset;
b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets all the following conditions:

- the company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- the company cannot sell or pledge the financial asset;

- the company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, nor is it entitled to any interest earned on such investments.

When the company transfers a financial asset resulting in its derecognition in the originator's financial statements, upon transfer, the company must evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The transfer of risks and rewards is evaluated by comparing the originator's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred asset.

The originator substantially retains all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer. Conversely, it substantially transfers all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant.

In short, one of three situations may arise, with certain specific effects, as follows:
1) if the company transfers substantially all the risks and rewards of ownership of the financial asset, the company shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
2) if the company retains substantially all the risks and rewards of ownership of the financial asset, the company shall continue to recognise the financial asset;
3) if the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the company shall determine whether it has retained control of the financial asset. In this case:
- if the company has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the company has not retained control. In all other cases, the company has retained control.

The accounting treatment for the most frequently used types of transfer of a financial asset are significantly different:
1) in the event of factoring without recourse (without any guarantee), the originator may derecognise the transferred assets;
2) in most cases of factoring with recourse, the risk associated with the transferred asset remains with the seller and, accordingly, the transfer does not meet the requirements for derecognition of the transferred asset.

The company has recognised receivables acquired without recourse only after verifying that there are no contractual clauses that would eliminate the effect of the substantial transfer of all risks and rewards. With respect to the portfolio of receivables transferred with recourse, only the amounts paid to the originator as advances on the fee are recognised and maintained in the financial statements.

More specifically, these types of contracts relate to the following:

a) receivables transferred with recourse and without legal recourse (without derecognition by the originator) are recognised, but only to the extent of amounts paid to the originator as an advance on the fee, including interest and accrued charges. They are initially recognised on the basis of the advanced fee to the originator for the transfer of the receivables;

b) receivables acquired definitively without recourse, with the substantial transfer of risks and rewards and maturity receivables paid at the due date are recognised at the nominal amount of the transferred invoices (with derecognition by the originator). They are initially recognised at the nominal amount of the receivable (equal to fair value);

c) receivables acquired for significantly less than their nominal amount are recognised at the amount actually paid upon acquisition, due to the transferred debtor's financial situation;

d) loans granted for future receivables not underlying factoring transactions and instalment loans are recognised at the amount of the loan, including interest and accrued fees.

Measurement

Loans and receivables are initially recognised at their nominal amount and subsequently measured at amortised cost, using the effective interest method.

Other than performing loans and receivables, which consist of those classified as non-performing, doubtful, restructured and past due, are measured individually, considering the objective possibility of impairment.

The criteria applied when calculating the impairment losses to be recognised on loans and receivables are based on the discounting of expected cash flows, including both principal and interest, considering any guarantees securing the amounts. In order to calculate the present value of the cash flows, the identification of estimated collections, the related due dates and the discount rate to be applied are fundamental elements when each of the loans/receivables is classified as non-performing.

When projecting the recovery of other than performing loans and receivables, the company refers to individual recovery plans, if such are available, and, if they are not, estimated, flat amounts based on internal historical data, research in the sector and third party appraisals, on the basis of objective data and information inferable about each position. These estimates are performed considering the specific solvency of the debtor, the originator and the guarantor.

A loan or receivable is considered "other than performing" when it is probable that the company will not recover the entire amount, on the basis of the original contractual terms, or an equivalent amount. It is fully cancelled when it is believed to be unrecoverable or if it is entirely derecognised.

Impairment losses recognised on impaired loans and receivables are reversed only when it is reasonably certain that more of the loan or receivable will be recovered than the post-impairment amount, within the limit of amortised cost.

Performing loans and receivables relate to assets for which the company has not noted any objective losses and, accordingly, has measured collectively. In particular, impairment losses are estimated using measurement methods based on a calculation algorithm (EAD x PD x LGP), aligned for compliance with the relevant legislation.

Derecognition

Loans are derecognised when the contractual rights to their cash flows expire, when they are sold, with the substantial transfer of all the risks and rewards of ownership or when they are considered definitively unrecoverable. They are reinstated when the reasons for their impairment no longer apply. The amount of the losses is recognised in profit or loss, net of previous impairment losses. Reversals of previously impaired amounts are recognised in profit or loss, as a reduction in net impairment losses on loans and receivables.

A.2.3 Equity investments

Recognition and measurement

This caption consists of investments in associates, which the company has acquired and holds as long-term investments. Investments in associates are measured at cost, adjusted to reflect any necessary impairment losses.

When there is evidence of an impairment loss, the recoverable amount of the equity investment is estimated, considering the present value of future cash flows that the equity investment could generate, including its final sale price.

The impairment process begins when there are indications that lead the company to assume that the investment’s carrying amount may not be recovered. These indications may be either qualitative or quantitative. Qualitative indications relate to the investee’s profitability and future earning prospects, while quantitative indications relate to an estimate of a significant or prolonged decline in the investment’s fair value to below its carrying amount.

If the recoverable amount of an equity investment is less than its carrying amount, the difference is recognised in profit or loss. If the reasons for the impairment no longer apply following an event that occurs after the recognition of the impairment loss, it is reversed in profit or loss, up to the amount of historical cost.

Derecognition

Equity investments are derecognised when the contractual rights to cash flows arising from the assets expire or when the financial asset is sold, with the substantial transfer of all associated risks and rewards.

A.2.4 Property and equipment

Recognition and classification

This caption includes furniture, plant and other machines and equipment owned for use by the company for a period longer than one year.

Property and equipment are initially recognised at cost, including all expenses directly related to the use of the asset. Ordinary maintenance costs are recognised directly in profit or loss.

Measurement

Subsequent to initial recognition, items of property and equipment are measured at cost, net of accumulated depreciation and any impairment losses. Their depreciable amount, which is equal to cost less residual value (i.e., the amount the company would normally expect to receive from disposal, less expected disposal costs), is distributed systematically over their useful life, with depreciation charged on a straight-line basis. Depreciation begins when the asset becomes available for use and ends when the asset is derecognised. Accordingly, depreciation does not end when an asset is idle or withdrawn from use, unless it has already been completely depreciated.

Material leasehold improvements, which mainly relate to the cost of renovating leased property, are depreciated for no longer than the term of the related lease agreement.

Derecognition

An item of property and equipment is derecognised when sold or when it is permanently withdrawn from use and the company does not expect any future economic benefits from its disposal.

A.2.5 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance used in the company's activity.

An asset is identifiable when:

- it is separable, i.e. capable of being separated or divided and sold, transferred, licensed, rented or exchanged;

- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from other rights and obligations.

Assets are characterised by the fact that they can be controlled by the company as the result of past events and it is assumed that the asset will generate future economic benefits that will flow to the company and that the company may limit third parties from accessing such benefits.

The future economic benefits of an intangible asset may include income from the sale of goods or services, cost savings or other benefits arising from the company's use of the asset.

An intangible asset is recognised as such if, and only if:

a) it is probable that the future estimated economic benefits attributable to the asset will flow to the company;

b) the cost of the asset can be reliably determined.

Recognition and classification

Intangible assets mainly consist of application software to be used in the long-term. They are recognised at cost, and any expenses incurred following initial recognition are capitalised only if they generate future economic benefits and only if they can be reliably determined and allocated to the asset.

Measurement

Intangible assets with definite useful lives are recognised at cost, net of accumulated amortisation and any impairment losses.

Amortisation is calculated systematically over the best estimate of the asset's useful life, on a straight-line basis. Amortisation begins when the asset becomes available for use and ends when the asset is derecognised.

Derecognition

Intangible assets are derecognised upon disposal or when the asset is permanently withdrawn from use.

A.2.6 Tax assets and liabilities

Tax assets and liabilities are recognised in statement of financial position captions 120 – Tax assets and 70 – Tax liabilities.

Current tax assets and liabilities

Current taxes and those relative to prior years, but not yet paid, are recognised as liabilities. Any amounts paid in excess of the balance due are recognised as assets.

Current tax assets and liabilities relative to the current or prior years are measured at the amount expected to be paid to/recovered from the tax authorities, applying current tax rates and tax legislation. Tax assets/liabilities also include the risk of any tax dispute.

As the company has opted to participate in the national tax consolidation scheme with its parent, the above applies only to IRAP (regional tax on production activities).

Assets and liabilities from/to the parent in relation to IRES (corporate income tax) are recognised under Other assets and Other liabilities.

Deferred tax assets and liabilities

Deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are recognised in statement of financial position caption 70 – Deferred tax liabilities.

Deferred tax assets are recognised on deductible temporary differences if it is probable that taxable profit will be generated against which the deductible temporary difference may be used.

Deferred tax assets are recognised in statement of financial position caption 120 – Deferred tax assets.

Deferred tax assets and liabilities are constantly monitored and calculated at the tax rates expected to be applicable when the tax asset will be realised or the tax liability settled, considering tax legislation currently in effect.

A.2.7 Financial liabilities

Recognition

Financial liabilities include both bank borrowings and the residual fee not yet paid to originators for the definitive acquisition of receivables without recourse.

These liabilities are recognised when the funds raised are received. They are recognised at their fair value, which includes any additional income/expense that is directly attributable to the transaction and determinable from inception, regardless of when it is paid.

Measurement

After initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Financial liabilities with an original term of less than one year are recognised at the nominal amount collected, as the use of amortised cost does not give rise to significant changes. In these cases, any income and expense directly attributable to the transaction are recognised in profit or loss, under the relevant captions.

Derecognition

Financial liabilities are derecognised when settled or expired.

A.2.8 Post-employment benefits

Recognition

Post-employment benefits are considered defined benefit plans and, as such, the relevant obligation must be calculated using actuarial techniques and discounted, as the liability may be settled long after the employees provided the related service.

The amount recognised as a liability is equal to:

(a) the present value of the defined benefit obligation at the reporting date;
(b) plus any actuarial gains (less any actuarial losses) recognised in a specific equity reserve;
(c) less the fair value of any plan assets at the reporting date.

Measurement

Actuarial gains and losses, which are recognised in a specific valuation reserve under equity, include the effects of adjustments arising from the reformulation of previous actuarial assumptions due to actual experience or due to changes in the same assumptions.

For discounting purposes, the projected unit credit method is used, which considers each individual service period as separately giving rise to an additional unit of post-employment benefits, together forming the final obligation. This additional unit is calculated by dividing the total expected service by the number of years from hire to the expected payment date. This method provides for the projection of future expenditure on the basis of historical/statistical analyses and the demographic curve and the discounting of such flows at the market interest rate. The rate used for discounting purposes was determined, with respect to the market yield of high-quality corporate bonds at the reporting date, as an average of swap, bid and ask rates, suitably interpolated for interim maturities.

A.2.9 Provisions for risks and charges

Recognition and measurement

The provisions for risks and charges relate to certain or probable costs and charges of a specific nature, the amount or due date of which are unknown at the reporting date.

Accruals to the provisions for risks and charges are recognised only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

The accrual recognised reflects the best estimate of the outflow required to settle the obligation at the reporting date, as well as the risks and uncertainties that inevitably characterise a plurality of factors and circumstances. The accrual is equal to the present value of the amount expected to be needed to settle the obligation if the time value of money is material.

Future events that could affect the amount needed to settle the obligation are considered only if there is sufficient objective evidence that they will occur.

Contingent liabilities are not recognised but are disclosed, unless they are deemed remote.

A.2.10 Foreign currency transactions

Recognition

Foreign currency transactions are initially recognised in the presentation currency, by applying the exchange rate ruling at the date of the transaction.

Measurement

At each reporting date, foreign currency captions are retranslated at the closing rate.

Exchange rate gains and losses arising from the retranslation of foreign currency items at rates that differ from those applied at initial recognition during the year or in previous financial statements are recognised in profit or loss in the year in which they arise.

A.2.11 Recognition of revenue and expense

Definition

Revenue is the gross inflow of economic benefits arising from the company's ordinary operating activities, when such flows generate increases in equity other than increases due to shareholders' injections.

Recognition

Revenue is measured at the fair value of the consideration received or due and is recognised when it can be reliably estimated.

Revenue from the provision of services can be reliably estimated when all of the following conditions have been met:

- the amount of the revenue can be reliably measured;
- it is probable that the economic benefits arising from the transaction will flow to the company;
- the transaction's percentage of completion at the reporting date can be reliably measured;
- costs incurred for the transaction and costs to completion can be reliably calculated.

Revenue recognised on the provision of services is recognised on a percentage of completion basis.

Revenue is only recognised when it is probable that the economic benefits of the transaction will flow to the company. However, when the recoverability of an amount already recognised as revenue becomes uncertain, the non-recoverable amount, or the amount the recoverability of which is no longer probable, is recognised as an expense rather than as an adjustment to the original revenue.

Revenue from third party use of the company's assets, generating interest or dividends, is recognised when:

- it is probable that the economic benefits of the transaction will flow to the company;
- the amount of the revenue can be reliably measured.

Interest is recognised on an accruals basis considering the actual return on the asset.

Dividends are recognised when the shareholders have the right to receive payment.

Expense is recognised when it is incurred, in accordance with the principle of matching expense and revenue that derive directly or jointly from the same transactions or events. Expense that cannot be associated with revenue is immediately recognised in profit or loss.

Other matters

Although the company owns investments in associates, it has exercised its right under current legislation to not prepare consolidated financial statements, as these are prepared by the parent, UBI Banca S.c.p.A., with registered office in Piazza V. Veneto 8 – Bergamo.

A.4 – FAIR VALUE DISCLOSURE

Qualitative information

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The company measures the fair value of financial assets and liabilities using the quoted price in an active market or, if that price is not available, using measurement models for other financial instruments.
A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available (level 1 fair value).
A market is considered active when transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
A financial instrument is regarded as listed in an active market if listed prices are readily and regularly available from an exchange, dealer or information provider and those prices represent actual regularly occurring market transactions on an arm's length basis.
Financial instruments that are not considered as listed in an active market are mainly measured using techniques that aim to adequately reflect what their market price might be at the measurement date.
The measurement techniques used include:
- reference to market values indirectly associated with the instrument to be measured, based on similar products in terms of risk profile (level 2 fair value);
- measurements based also on non-market input calculated using meaningful estimates and assumptions prepared by an expert (level 3 fair value).

IAS 39 provides for specific categories into which financial assets and liabilities measured at fair value are classified. The relevant categories are as follows:

- Financial assets held for trading: Caption 20
- Financial assets at fair value through profit or loss: Caption 30
- Available-for-sale financial assets: Caption 40
- Financial liabilities held for trading: Caption 30
- Financial liabilities at fair value through profit or loss: Caption 40.

None of these categories are included in UBI Factor's financial statements.

However, the following other categories measured at cost or amortised cost are included in UBI Factor's financial statements:

- Held-to-maturity investments: Caption 50
- Loans and receivables: Caption 60
- Financial liabilities: Caption 10.

In accordance with IFRS 13, the fair values of these types of assets and liabilities, which are not recognised at fair value, are reported in the notes to the financial statements and, in particular, in the

sections of Part A) - “Accounting policies - A.4 Fair value disclosure” and Part B) - “Notes to the statement of financial position”, using the required schedules.
A description of the calculation of the fair values of these assets and liabilities was given above in the paragraph “Fair value measurement”.

Given the characteristics of the assets and loans described above and, in particular:

> caption 50 - consisting of variable yield life investment policies with SAI Fondiaria, with yield not lower than 2.0%, which are pledged to guarantee the surety given to the tax authorities to secure a VAT receivable for which UBI Factor is factor and which it is contractually obliged to hold to maturity (December 2015). The annual change consists solely of the capitalisation of interest accrued in the year (2% in the past three years). The carrying amount corresponds with the policy redemption price;

> asset caption 60 and liability caption 10 - consisting of loans (received/given) with unknown or short-term maturities.

The carrying amount, net of any individual impairment losses (including those due to discounting) or collective impairment losses, is a fair approximation of fair value.

Quantitative information

	Total at 31.12.2013				Total at 31.12.2012			
Assets/liabilities not measured at fair value		Fair value				Fair value		
or measured at fair value on a non-recurring basis	CA	L1	L2	L3	CA	L1	L2	L3
1. Held-to-maturity investments	9,296	-	9,296	-	9,007	-	9,007	-
2. Loans and receivables	2,344,029	-	-	2,344,029	2,409,064	-	-	2,409,064
3. Investment property	-	-	-	-	-	-	-	-
4. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**2,353,325**	**-**	**9,296**	**2,344,029**	**2,418,071**	**-**	**9,007**	**2,409,064**
1. Financial liabilities	2,209,505	-	-	2,209,505	2,276,172	-	-	2,276,172
2. Outstanding securities	-	-	-	-	-	-	-	-
3. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**2,209,505**	**-**	**-**	**2,209,505**	**2,276,172**	**-**	**-**	**2,276,172**

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

Part B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 – Cash and cash equivalents - Caption 10

€4 thousand (- €9 thousand)

This caption consists of banknotes and coins with legal tender, bank cheques, banker's drafts and tax stamps.

	31.12.2013	31.12.2012
a) Cash	4	13
b) Deposits with Central Banks		
Total	4	13

Section 5 – Held-to-maturity investments - Caption 50

€9,296 thousand (+ €289 thousand)

This caption includes variable yield life investment policies with SAI Fondiaria, with yield not lower than 2.0%, which are pledged to guarantee the surety given to the tax authorities to secure a VAT receivable for which the company is factor and for which it is contractually obligated to hold to maturity (December 2015).

The change shown in point B.4 of Table 5.2 relates to the capitalisation of interest accrued in the year.

5.1 Held-to-maturity investments: analysis by debtor/issuer

	Carrying amount at 31.12.2013	Fair value at 31.12.2013			Carrying amount at 31.12.2012	Fair value at 31.12.2012		
		L1	L2	L3		L1	L2	L3
1. Debt instruments								
1.1 Structured instruments								
a) Government and Central Banks								
b) Other government agencies								
c) Banks								
d) Financial institutions								
e) Other issuers								
1.2 Other instruments								
a) Government and Central Banks								
b) Other government agencies								
c) Banks								
d) Financial institutions								
e) Other issuers	9.296		9.296	-	9.007		9.007	-

2. Loans								
a) Banks								
b) Financial institutions								
c) Customers								
Total	**9.296**	**-**	**9.296**	**-**	**9.007**	**-**	**9.007**	**-**

L1 = level 1; L2 = level 2; L3 = level 3.

5.2 Held-to-maturity investments: changes in the year

	Debt instruments	Loans	Total
A. Opening balance	**9,007**		**9,007**
B. Increases	**289**	**-**	**289**
B1. Purchases			-
B2. Reversals of impairment losses			-
B3. Transfers from other portfolios			-
B4. Other increases	289		289
C. Decreases	**-**	**-**	**-**
C1. Sales			-
C2. Repayments			-
C3. Impairment losses			-
C4. Transfers to other portfolios			-
C5. Other decreases			-
D. Closing balance	**9,296**	**-**	**9,296**

Section 6 – Loans and receivables - Caption 60

€2,344,029 thousand (- €157,841 thousand)

This caption mainly consists of loans and advances to originators and receivables from debtors as a result of factoring activities.

6.1 Loans and receivables with banks

€67,710 thousand (+ €44,660 thousand)

These mainly consist of positive balances due to temporary liquidity in current accounts and deposits with banks. Financing consists of amounts due from banks in relation to factoring activities, including past due amounts of €8,200 thousand being settled.

	Total at 31.12.2013				Total at 31.12.2012			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	57,811			57,811	16,566			16,566
2. Loans	9,764			9,764	6,371			6,371
2.1 Reverse repurchase agreements								
2.2 Finance leases								
2.3 Factoring	9,764			9,764	6,371			6,371
- with recourse	-				-			
- without recourse	9,764			9,764	6,371			6,371
2.4 Other loans	-				-			
3 Debt instruments	-				-			
- structured instruments								
- other debt instruments								
4. Other assets	135			135	113			113
Total	**67,710**			**67,710**	**23,050**			**23,050**

L1 = level 1; L2 = level 2; L3 = level 3.

The fair value matches the carrying amount since these are current amounts.

6.2 Loans and receivables with financial institutions

€61,387 thousand (- €19,154 thousand)

	Total at 31.12.2013						Total at 31.12.2012					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
1. Loans	56,543		4,800			61,343	80,508					80,508
1.1 Reverse repurchase agreements												
1.2 Finance leases												
1.3 Factoring	56,439					56,439	54,096					54,096
- with recourse	56,439					56,439	54,095					54,095
- without recourse							1					1
1.4 Other loans	104		4,800			4,904	26,412					26,412
2 Debt instruments	-						-					
- structured instruments												
- other debt instruments												
3. Other assets	44					44	33					33
Total	**56,587**		**4,800**			**61,387**	**80,541**					**80,541**

L1 = level 1; L2 = level 2; L3 = level 3.

The fair value matches the carrying amount since these are current amounts.

6.3 Loans and receivables with customers

€1,948,155 thousand (- €90,541 thousand)

Loans and receivables with customers mainly arise from factoring activities, the disbursement of loans and loans granted for a specific purpose.

Loans and receivables consist of:

1) receivables factored with recourse, which are recognised in line with the amount advanced;
2) receivables factored without legal recourse, i.e., which do not meet recognition requirements, and the advance is therefore recognised;
3) receivables factored without recourse, which have been definitively acquired;
4) paid at maturity receivables with debtor payment deferrals;

5) receivables acquired for an amount significantly lower than their nominal amount (price paid);
6) advances against future receivable portfolios (without the transfer of the underlying receivable);
7) loans for specific purposes.

	Total at 31.12.2013						Total at 31.12.2012					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
1. Loans	1,947,993	-	266,777	-	-	2,214,770	2,016,340		288,960			2,305,300
1.1 Finance leases												
including: without final purchase option												
1.2 Factoring	1,844,515	-	266,175	-	-	2,110,690	1,935,150	-	288,120			2,223,270
- with recourse	1,138,139		235,200			1,373,339	1,277,736		236,482			1,514,218
- without recourse	706,376		30,975			737,351	657,414		51,638			709,052
1.3 Consumer credit												
1.4 Credit cards												
1.5 Loans granted in relation to payment for services provided												
1.6 Other loans	103,478		602			104,080	81,190		840			82,030
including: from enforcement of guarantees and commitments												
2 Debt instruments												
2.1 Structured instruments												
2.2 Other debt instruments												
3. Other assets	162	-				162	173	-				173
Total	1,948,155	-	266,777	-	-	2,214,932	2,016,513	-	288,960	-	-	2,305,473

L1 = level 1; L2 = level 2; L3 = level 3.

The fair value matches the carrying amount since these are current amounts.

Total loans and receivables relating to the Polish branch amount to €114,554 thousand.

6.4 Loans and receivables: guaranteed assets

	Total at 31.12.2013						Total at 31.12.2012					
	Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers		Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers	
	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV
1. Performing assets guaranteed by:												
- Assets under finance lease												
- Factoring loans					1,429,778	1,429,778					1,568,313	1,568,313
- Mortgages												
- Pledges												
- Personal guarantees												
- Credit derivatives												
2. Impaired assets guaranteed by:												
- Assets under finance lease												
- Factoring loans												
- Mortgages												
- Pledges												
- Personal guarantees												
- Credit derivatives												
Total		-	-	-	1,429,778	1,429,778		-	-	-	1,568,313	1,568,313

CA = carrying amount of assets
FV = fair value of the guarantees

The fair value of guarantees of factoring receivables relates to the total amount of receivables for with recourse factoring.

Section 9 – Equity investments - Caption 90

€393 thousand (no change)

This caption includes the company's interest in the group companies UBI Sistemi e Servizi S.c.p.A. and UBI Academy S.c.r.l., the latter having been acquired in 2012.

9.1 Equity investments: information on investments

Company name	Carrying amount	% of investment	% of available votes	Reg. office	Total assets (1)	Total revenue (1)	Equity (1)	Profit for previous year (1)	Listed (Yes/No)
A. Wholly owned									
B. Jointly controlled									
C. Subject to significant influence									
* UBI Sistemi e Servizi S.c.p.A.	391	0.74%	0.74%	Brescia	235,697	326,150	51,352	-	No
* UBI Academy Soc. Cons. a r.l.	2	1.50%	1.50%	Bergamo	na	na	na	-	No
Total	**393**								

(1) Data at 31.12.2012

Although the percentage of the company's investment in UBI Sistemi e Servizi S.c.p.A. is less than 20%, it is not classified as an available-for-sale financial asset, but rather under equity investments because of the UBI Banca Group's investment therein, notwithstanding the fact that exclusive control can only be attributed to the parent UBI Banca S.c.p.a.. Accordingly, UBI Factor S.p.A. classifies this investee as "subject to significant influence".
There is no qualitative and/or quantitative evidence of impairment losses on the carrying amounts.
There was no change with respect to 31 December 2012.

9.3 There are no equity investments securing liabilities or commitments.

9.4 There are no commitments relating to equity investments.

Section 10 – Property and equipment - Caption 100

€224 thousand (- €122 thousand)

This caption consists of property and equipment used in operations.
It is depreciated in accordance with IAS 16 on the basis of each asset's useful life.

10.1 Property and equipment used in operations: assets measured at cost

	Total at 31.12.2013	Total at 31.12.2012
1. Owned assets	224	346
a) land		
b) buildings		
c) furniture	87	96
d) electronic equipment	18	39
e) other	119	211
2. Assets under finance lease	-	-
a) land		
b) buildings		
c) furniture		
d) electronic equipment		

e) other		
Total	**224**	**346**

Owned assets used in operations include "Other", which substantially relates to furnishings and improvements to the Milan office, the Polish branch's new operating office and the office of the operating unit in Pordenone.

10.5 Property and equipment used in operations: changes in the year

	Furniture	Electronic equipment	Other	Total
A. Opening balance				**-**
D.1 Total net impairment losses				-
A.2 Opening net balance	**96**	**39**	**211**	**346**
B. Increases	**10**	**7**	**2**	**19**
B.1 Purchases	10	7	2	
B.2 Capitalised leasehold improvements				
B.3 Reversals of impairment losses				
B.4 Fair value gains recognised in:	-	-	-	-
a) equity				
b) profit or loss				
B.5 Exchange rate gains				
B.6 Transfers from investment property				
B.7 Other increases				
C. Decreases	**(19)**	**(28)**	**(95)**	**(141)**
C.1 Sales				
C.2 Depreciation	(19)	(28)	(95)	
C.3 Impairment losses recognised in:	-	-	-	-
a) equity				
b) profit or loss				
C.4 Fair value losses recognised in:	-	-	-	-
a) equity				
b) profit or loss				
C.5 Exchange rate losses				
C.6 Transfers to:				
a) investment property				
b) assets held for sale				
C.7 Other decreases				

D. Closing net balance	**87**	**18**	**119**	**224**
D.1 Total net impairment losses				
D.2 Closing gross balance	**87**	**18**	**119**	**224**
E. Measurement at cost	**87**	**18**	**119**	**224**

Analysis of useful life (in years) of each item of property and equipment:

Useful life	Years
Furniture	8.3
Electronic equipment	2.5
Other:	
- Office machines	8.3
- Communication systems	4.0
- Office furnishing	6.0

Section 11 – Intangible assets - Caption 110

€48 thousand (- €521 thousand)

This caption includes software licences. It is amortised in accordance with IAS 38 on the basis of each asset's useful life. The useful life of software licences is five years.

11.1 Analysis of caption 110 Intangible assets

	31.12.2013		31.12.2012	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	-	-	-	-
2. Other intangible assets:				
2.1 owned	48	-	569	-
- internally generated	-	-	-	-
- other	48	-	569	-
2.2 under finance lease	-	-	-	-
Total 2	48	-	569	-
3. Assets under finance lease:				
3.1 assets with unexercised purchase option	-	-	-	-
3.2 assets withdrawn following termination	-	-	-	-
3.3 other assets	-	-	-	-
Total 3	-	-	-	-
4. Assets under operating lease	-	-	-	-
Total (1+2+3+4)	**48**	**-**	**569**	**-**
Total (assets at cost + assets at fair value)	**48**		**569**	

11.2 Intangible assets: changes in the year

	Total
A. Opening balance	**569**
B. Increases	**6**
B.1 Purchases	6
B.2 Reversals of impairment losses	
B.3 Fair value gains recognised in:	-
- equity	
- profit or loss	
B.4 Other increases	
C. Decreases	**(527)**
C.1 Sales	
C.2 Amortisation	(71)
C.3 Impairment losses	(456)
- equity	
- profit or loss	(456)
C.4 Fair value losses recognised in:	-
- equity	
- profit or loss	
C.5 Other decreases	
D. Closing balance	**48**

The impairment loss of €456 thousand relates to the residual unamortised amount of the management software licence - the basic version of the new IT system - acquired in 2010 and not used in the advanced version set up in 2013. The company decided to impair it when the system was not rolled out (see also table 11.1 – Amortisation and net impairment losses on intangible assets).

Section 12 – Tax assets and liabilities

12.1 Analysis of caption 120 Tax assets: current and deferred

€14,826 thousand (+ €3,893 thousand)

	31.12.2013	31.12.2012
A) Current tax assets	3,987	2,660
B) Deferred tax assets	10,839	8,272
Deferred tax assets recognised in profit or loss	**10,622**	**8,068**
- Impairment losses on loans and receivables	10,018	7,278
- Accruals to provisions for risks and charges	389	594
- Intangible assets	81	-
- Personnel expense	53	99
- Other sundry	81	97
Deferred tax assets recognised in equity	**217**	**204**
- Personnel expense	217	204
Total deferred tax assets	**10,839**	**8,272**
- Temporary differences not included in the calculation of deferred tax assets	-	-

Total recognisable deferred tax assets	**10,839**	**8,272**

12.2 Analysis of caption 70 Tax liabilities: current and deferred

€3,628 thousand (- €610 thousand)

	31.12.2013	31.12.2012
A) Current tax liabiliites	3,621	4,230
b) Deferred tax liabilities	6	7
Deferred tax liabilities recognised in profit or loss	**6**	**7**
- Accruals to the allowance for impairment	-	-
- Other	6	7
Deferred tax liabilities recognised in equity	**-**	**-**
- Other sundry	-	-
Total deferred tax liabilities	**6**	**7**
- Temporary differences not included in the calculation of deferred tax liabilities	-	-
Total recognisable deferred tax liabilities	**6**	**7**

12.3 Changes in deferred tax assets (recognised in profit or loss)

	31.12.2013	31.12.2012
1. Opening balance	**8,068**	**2,271**
2. Increases	**3,357**	**6,020**
2.1 Deferred tax assets recognised in the year	3,357	6,020
a) relative to prior years	-	-
b) due to change in accounting policies	-	-
c) reversal of impairment losses	-	-
d) other	3,357	6,020
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(803)**	**(223)**
2.1 Deferred tax assets derecognised in the year	(803)	(223)
a) reversals	(803)	(223)
b) impairment due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets pursuant to Law no. 214/2011		
b) other		

4. Closing balance	**10,622**	**8,068**

The increase (2d) is mainly due to the recognition of deferred tax assets (IRES of 27.50% and, since 2013, IRAP of 5.57% as well) on the portions of impairment losses on loans and receivables in excess of the tax amounts, amounting to €9.5 million at 31 December 2013 (deducible for IRES/IRAP purposes in fifths from the year in which they are recognised) and €19.5 million in 2012 (the amount exceeding 0.3% of loans and receivables, deductible over 18 years starting from the year following recognition). The other items are detailed in table 12.1.

12.3.1 Changes in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

	31.12.2013	31.12.2012
1. Opening balance	**7,278**	**2,020**
2. Increases	**3,156**	**5,375**
3. Decreases	**(416)**	**(117)**
3.1 Reversals	(416)	(117)
3.2 Conversion into tax assets	-	-
a) deriving from loss for the year	-	-
a) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**10,018**	**7,278**

These amounts relate exclusively to deferred tax assets on impairment losses and losses on loans and receivables exceeding the deductible portion for IRES and IRAP purposes.
There were no changes in deferred tax assets, with conversion into tax assets in accordance with Law no. 214/2011.

12.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31.12.2013	31.12.2012
1. Opening balance	**7**	**1**
2. Increases	**(1)**	**6**
2.1 Deferred tax liabilities recognised in the year	(1)	6
a) relative to prior years	-	-
b) due to change in accounting policies	-	-
c) other	(1)	6
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-

3.3 Other decreases	-	-
4. Closing balance	**6**	**7**

12.5 Changes in deferred tax assets (recognised in equity)

	Total at 31/12/2013	Total at 31/12/2012
1. Opening balance	**204**	**127**
2. Increases	**13**	**77**
2.1 Deferred tax assets recognised in the year	13	77
a) relative to prior years	-	-
b) due to change in accounting policies	-	-
c) other	13	77
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
2.1 Deferred tax assets derecognised in the year	-	-
a) reversals	-	-
b) impairment due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**217**	**204**

"Other increases" refer to deferred tax assets on actuarial gains/losses on post-employment benefits.

12.6 Changes in deferred tax liabilities (recognised in equity)

There were no changes in the year.

Section 14 – Other assets – Caption 140

€11,718 thousand (+ €2,426 thousand)

14.1 Analysis of caption 140 Other assets

This caption consists mainly of the following:

	31.12.2013	31.12.2012
Tax consolidation assets from the parent	8,812	5,630
Receivables from social security institutions	117	1,038
Portfolio of bills under reserve	1,755	2,022
Other items	920	388
Prepayments and accrued income (not allocated)	114	214
Total	**11,718**	**9,292**

Tax consolidation assets from the parent consist of the first IRES advance paid in June 2013 and other receivables that arose as part of the national tax consolidation scheme, including tax assets relating to foreign revenue (the Polish branch) and the effects of Law decree no. 16 of 2 March 2012 related to the claim for IRES reimbursement, recalculated due to IRAP being deductible on personnel expense, including for years prior to 2012 (2007-2011).

At 31 December 2012, receivables from social security institutions consist of amounts recognised against the initial provision for the dispute arising from the classification of contributions as due to INPS (the Italian social security institution) or INPDAI (the Italian pension institution for managers of industrial companies) following the change of institution at the end of the 1990s. The contributions related to former managers of the company (receivables of €921 thousand against an accrual to the provision for risks of €520 thousand) and of the merged Factor Nord (€117 thousand). In 2013, after INPS conducted another investigation with negative findings and considering the opinion of the company's lawyer, according to whom there are no residual contributions to be refunded to the company, the company impaired the receivable by €921 thousand, utilising the entire provision for risks and recognising the remaining €401 thousand in profit or loss for the year (under Other operating income and expense).
At 31 December 2013, loans and receivables decreased by a residual amount of €117 thousand (former Factor Nord) for which executive action has begun to recover amounts due from INPS (the Italian social security institution).

The bills under reserve portfolio balances relate to amounts credited to the company in the first few days of January 2014.

Other items mainly relate to advances to service providers, receivables from the parent for seconded employees, loans to employees, provisions for costs, deposits on rent contracts and franking.

Prepayments (not allocated) relate to services such as lease and maintenance instalments and customer information.

LIABILITIES

Section 1 – Financial liabilities - Caption 10
€2,209,505 thousand (- €66,667 thousand)

1.1 Financial liabilities

This caption includes accrued interest expense of €345 thousand on bank current account overdrafts and loans.

	Total at 31.12.2013			Total at 31.12.2012		
	banks	financial institutions	customers	banks	financial institutions	customers
1. Loans	1,778,478	-	-	2,192,483	-	-
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other loans	1,778,478	-	-	2,192,483	-	-
2. Other financial liabilities	422,846	-	8,181	82,136	-	1,553
Total	**2,201,324**	-	**8,181**	**2,274,619**	-	**1,553**
Fair value - level 3	**2,201,324**	-	**8,181**	**2,274,619**	-	**1,553**

Total financial liabilities relating to the Polish branch amount to €106,550 thousand.
Loans mainly consist of funding from the parent UBI Banca. Other financial liabilities relate to current account overdrafts.
Other financial liabilities with customers include the residual fee not yet paid to originators for the definitive acquisition of receivables without recourse and other liabilities, mainly in relation to the positive balances on originators' accounts.

1.2 There are no subordinated liabilities.

Section 7 – Tax liabilities - Caption 70
€3,628 thousand (- €610 thousand)
Reference should be made to Section 12 of Assets – Tax assets and liabilities for an analysis of this caption.

Section 9 – Other liabilities – Caption 90
€28,493 thousand (+ €4,150 thousand)

9.1 Analysis of caption 90 Other liabilities

	Total at 31.12.2013	Total at 31.12.2012
Tax consolidation liabilities to the parent	5,050	7,926
Trade payables	790	833
Invoices to be received	5,199	5,472
Due to employees	75	770
Social security charges payable	696	797
Collections pending allocation	15,855	7,466
Guarantees issued to UBI Leasing	294	294
Other financial liabilities	525	770
Accrued expenses (unallocated)	9	14
Total	**28,493**	**24,342**

Tax consolidation liabilities to the parent relate to the IRES tax liability for 2013, under the national tax consolidation scheme.
Invoices to be received mainly relate to amounts due to group banks and third parties for business referrals, in addition to legal services.
Amounts due to employees decreased mainly due to smaller accruals and provisions for leaving incentives, holidays and performance bonuses.
Collections pending allocation relate to payments received in relation to factored receivables, which, at the reporting date, the company has not been able to allocate to the relevant originator position. This allocation was completed in January 2014.

Section 10 – Post-employment benefits - Caption 100

€2,386 thousand (+ €299 thousand)

10.1 Post-employment benefits: changes in the year

	Total at 31.12.2013	Total at 31.12.2012
A. Opening balance	**2,685**	**2,648**
B. Increases	**62**	**328**
B.1 Accrual	16	49
B.2 Other increases	46	279
C. Decreases	**(361)**	**(291)**
C.1 Pay-outs	(361)	(190)
C.2 Other decreases		(101)
D. Closing balance	**2,386**	**2,685**

10.2 Other information

In accordance with IAS 19, the post-employment benefit liability can be classified as a defined benefit plan, requiring the calculation of the amount of the obligation using actuarial techniques.
In particular, this accrual should consider the amount that has already matured at the reporting date, projected into the future in order to estimate the amount that will be due when employment ends. This amount is then discounted to reflect the time value of money.
The present value of commitments is calculated by an independent expert using the projected unit credit method. This method considers future salary increases up to the termination of employment, projected outlays to be made on the basis of historical/statistical analyses and the demographic

curve, with the discounting of such flows on the basis of a market interest rate. Contributions paid each year are considered separate and additional units.
Demographic assumptions (termination of employment, disability, death, etc.) are formulated using historical personnel data, suitably integrated and equalised to taken into account departures provided for by the business plan and current legislation on the maximum retirement age.
The financial and economic assumptions are based on prudent forecasts, whereas labour market variables reflect historical data and trends in line with the economy.
The cost of living index for white and blue collar families, amounting to 2.0%, has been used as the revaluation rate.
The *Euro Composite AA* rate curve at 31 December 2013 has been used for discounting. It is applied to net cash flows with reference to the entire life of the obligation.

Section 11 – Provisions for risks and charges - Caption 110

€1,472 thousand (- €686 thousand)

11.1 Analysis of caption 110 Provisions for risks and charges

	Total at 31.12.2013	Total at 31.12.2012
1. Company pension funds	-	-
2. Other provisions for risks and charges	1,472	2,158
2.1 litigation	158	999
2.2 personnel expense	1,099	1,159
2.3.2 other	215	-
Total	**1,472**	**2,158**

Provisions for litigation relate to legal costs, claw-bank claims and disputes brought about by third parties, as well as the dispute with INPS/INPDAI detailed in the note on caption 140 "Other assets".
Provisions for personnel expense almost entirely consist of accruals in 2013 on the basis of agreements with trade unions relating to the reorganisation of the Group. To a residual extent, the provisions include an accrual for litigation with personnel.

11.2 Changes in the year in caption 110 Provisions for risks and charges

	31.12.2013		31.12.2012	
	Pension funds	Other provisions	Pension funds	Other provisions
A. Opening balance	**-**	**2,158**	**-**	**595**
B. Increases (+)	**-**	**200**	**-**	**1,664**
B.1 Accrual	-	198	-	504
B.2 Changes due to passage of time	-	2	-	1
B.3 Changes due to adjustments to the discount rate	-	-	-	-
B.4 Other increases	-		-	1,159
C. Decreases (-)	**-**	**(886)**	**-**	**(101)**
C.1 Utilisations	-	(886)	-	(101)
C.2 Changes due to adjustments to the discount rate	-		-	
C.3 Other decreases	-		-	
D. Closing balance	**-**	**1,472**	**-**	**2,158**

C.1 Utilisations relate to the utilisation of provisions for personnel expense.

11.3 Additional information: "contingent liabilities"

	Total	Estimated date of outlay	Contingent liabilities
Litigation	60,000	-	60,000
Total	60,000		60,000

Contingent liabilities relate to risks on receivables recovered following the injunction order temporarily declared executive in 2001 and subsequently appealed by the Rome H local healthcare unit.

The Velletri Court confirmed the order in 2005.

With a 2011 order, the Rome Court of Appeals issued a partial sentence reversing the first degree decision and calling for the continuance, in another appeal, of the redefinition of the receivable by a court-appointed expert in the wake of the application of the regional tariffs rather than the ministerial tariffs - which are higher - which the originator applied when the invoices factored to UBI Factor were issued.

UBI Factor and the originator (originally Hospital Appia S.r.l., which then merged into San Raffaele S.p.A., which is part of the Tosinvest/Angelucci Group) took the following action against the partial sentence:

a) appealing with the Court of Appeals for the redefinition of the receivable by the court-appointed expert in order to recognise both the original amount of receivables collected (€60 million) and the additional receivable accrued (€10 million);
b) continuance of the case in the Court of Cassation, identifying 13 reasons for contestation;
c) appeal in the Court of Appeals for revocation of the erroneous first degree sentence. With its sentence of 10 January 2014, the Rome Court of Appeals referred the decision to the Court of Cassation. The appeal with the Court of Cassation is being prepared.

With respect to the Court of Cassation's ruling sub. b), which de facto absorbs those described above, with the support of its lawyer, the company believes that the risk of losing the case is less than possible.

Moreover, in order to give complete information, in the event that the definitive ruling is unfavourable, the local healthcare unit could request UBI Factor to refund amounts collected in excess of the redefined amount of the receivable (case sub. a), i.e., approximately €60 million. In this case, UBI Factor could take action against the originator Tosinvest/Angelucci Group, on the force of current contractual agreements.

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

12.1 Analysis of caption 120 Share capital

€36,116 thousand (no change)

	31.12.2013	31.12.2012
1. Share capital		
1.1 Ordinary shares	36,116	36,116
1.2 Other shares	-	-
Total	36,116	36,116

The fully subscribed and paid-up share capital includes 69,453,500 shares with a nominal amount of €0.52 each.

12.4 Analysis of caption 150 Share premium

€2,066 thousand (no change)
This caption was set up in 1993 following the share capital increase.

12.5 Other information
Analysis of caption 160 Reserves

€89,890 thousand (- €1,065 thousand)

	Legal reserve	Retained earnings	Other	Total
A. Opening balance	**7,223**	**2**	**81,600**	**88,825**
B. Increases	**-**	**-**	**1,065**	**1,065**
B.1 Allocation of profit			1,065	1,065
B.2 Other increases				-
C. Decreases	**-**	**-**		**-**
C.1 Utilisations				-
- to cover losses				
- dividends				
- transfer to share capital				-
C.2 Other decreases				-
D. Closing balance	**7,223**	**2**	**82,665**	**89,890**

B.1 - The increase is due to the allocation of the profit for 2012, as resolved by the shareholders on 25 March 2013.

An analysis of other reserves is provided below:

Analysis of other reserves:	
Extraordinary reserve	74,451
Negative goodwill	6,573
General financial risks	2,484
FTA reserves	(843)
Total	**82,665**

The FTA reserves substantially consist of the effects of discounting impaired assets (IAS 39) and the actuarial valuation of post-employment benefits (IAS 19).

12.6 Analysis of caption 170 Valuation reserves and changes in the year

-€359 thousand (+ €34 thousand)

	Available-for-sale financial assets	Property and equipment	Intangible assets	Cash flow hedges	Special revaluation laws	Actuarial gains (+)/losses (-) on post-employment benefits	Total
A. Opening balance						**(325)**	**(325)**
B. Increases	-	-	-	-	-	(34)	(34)
B.1 Fair value gains							-
B.2 Other increases						(34)	**(34)**
C. Decreases	-	-	-		-	-	-
C.1 Fair value losses							-
C.2 Other decreases							-
D. Closing balance	-	-	-	-	-	(359)	(359)

EQUITY CAPTION DISCLOSURE PURSUANT TO ARTICLE 2427.7-bis OF THE ITALIAN CIVIL CODE

	Amount	Possibility of use	Available portion	Summary of uses in the previous three years	
				To cover losses	For other reasons
Share capital	36,116				
Share premium	2,066				
Income-related reserves:					
- legal reserve	7,223	B			
- extraordinary reserve	74,451	A,B,C	74,451		
Other reserves	8,214	A,B,C	8,214		
Valuation reserve	(359)				
Retained earnings	7,342	A,B,C	7,342		
Total			**90,007**		
- Non-distributable portion			-		
- Residual distributable portion			90,007		

Key: A - to increase share capital; B - to cover losses; C - dividends

No reserves are non-distributable.

Part C – NOTES TO THE INCOME STATEMENT

Section 1 – Interest – Captions 10 and 20

1.1 Analysis of caption 10 Interest and similar income

€41,488 thousand (- €19,745 thousand)

		Debt instruments	Loans	Other transactions	2013	2012
1	Financial assets held for trading				-	-
2	Financial assets at fair value through profit or loss				-	
3	Available-for-sale financial assets				-	
4	Held-to-maturity investments	289			**289**	**291**
5	Loans and receivables				-	
	5.1 Loans and receivables with banks		134		**134**	**144**
	5.2 Loans and receivables with financial institutions				-	
	5.3 Loans and receivables with customers		41,065		**41,065**	**60,799**
6	Other assets				-	
7	Hedging derivatives				-	
					-	
	Total	**289**	**41,199**	**-**	**41,488**	**61,234**

1.2 Interest and similar income: other information

Interest on held-to-maturity investments relates to the portion of yield on the insurance policies classified under asset caption 50 in the statement of financial position.
Interest on loans and receivables with banks relates to temporary positive current account balances with banks.
Interest on loans and receivables with customers relates to factoring activities and is collected on advances to originators and with debtors as a result of payment deferrals, in addition to contract loans. Furthermore, this caption includes interest income on loans for specific purposes.
The decrease in the year is due to both the decrease in average loans and trends in market interest rates, to which the loans to customers are indexed.

1.3 Analysis of caption 20 Interest and similar expense

€7,854 thousand (- €9,172 thousand)

		Loans	Securities	Other	2013	2012
1	Due to banks	(7,854)			**(7,854)**	**(17,030)**
2	Due to financial institutions				-	-
3	Due to customers				-	-
4	Securities issued				-	-
5	Financial liabilities held for trading				-	-
6	Financial liabilities at fair value through profit or loss				-	-
7	Other liabilities				-	**(1)**
8	Hedging derivatives				-	-
	Total	**(7,854)**	**-**	**-**	**(7,854)**	**(17,031)**

Interest mainly includes that paid to banks for current account overdrafts and loans. The amounts shown do not include expenses for subordinated liabilities.
The decrease is due to both the decline in average funding balances and the trend in market interest rates, to which the bank borrowings are indexed.

Section 2 – Fees and commissions – Captions 30 and 40

2.1 Analysis of caption 30 Fee and commission income

€20,595 thousand (- €2,645 thousand)

	2013	2012
1. finance leases		
2. factoring	20,565	23,232
3. consumer credit		
4. merchant banking		
5. guarantees given		-
6. services:		
- third party mandated fund management		
- forex brokerage		
- product distribution		
- other	30	8
7. collection and payment services		
8. securitisation servicing		
9. other fees and commissions		
	20,595	**23,240**

This caption mainly consists of flat commissions for with and without recourse factoring, analysed below:

Factoring commission income	2013	2012
1. with recourse commissions	15,224	18,198
2. without recourse commissions	3,255	2,561
3. mandate commissions	5	184
4. expense recoveries with mark-ups	495	492
5. other	1,586	1,797
	20,565	**23,232**

Commissions relate to factoring activities and are analysed on the basis of the life of the receivables. Other mainly relates to credit management commissions and commissions invoiced to debtors.

Expense recoveries with mark-ups mainly relate to: preliminary investigation fees, handling expenses, chamber of commerce inquiry and information expenses, debtor assessment fees, account statement postage, account expenses, account closing expenses and home-factoring fees.

Other fees and commissions mainly relate to commissions invoiced to debtors for maturity transactions.

2.2 Analysis of caption 40 Fee and commission expense

€12,093 thousand (+ €239 thousand)

	2013	2012
1. guarantees received	(618)	(1,290)
2. third party distribution of services		
3. collection and payment services	(38)	
4. other fees and commissions:		
4.1 reversal of fees and commissions to third parties	(11,177)	(10,251)
4.2 credit insurance premiums		
4.3 bank charges	(260)	(313)
	(12,093)	**(11,854)**

This caption mainly relates to fees and commissions paid to group banks in connection with the business partnership agreement and to third parties for the referral of factoring transactions, in addition to commissions on guarantees from the parent to secure transactions exceeding the limits set by ruling legislation on the basis of company regulatory capital.

Reversal of fees and commissions to third parties includes:

Reversal of fees and commissions to third parties	2013	2012
1. reversal of fees and commissions to banks	(9,799)	(8,370)
2. reversal of fees and commissions to debtors	(1,009)	(1,312)
3. reversal of fees and commissions to brokers	(258)	(468)
4. reversal of fees and commissions to foreign correspondents	(111)	(101)
	(11,177)	(10,251)

Section 8 – Net impairment losses – Caption 100

8.1 Net impairment losses on loans and receivables

€11,928 thousand (- €14,878 thousand)

	Impairment losses		Reversals of impairment losses		2013	2012
	- individual	- collective	- individual	- collective		
1. Loans and receivables with banks	-	(57)	-	-	(57)	(5)
- leases	-	-	-	-	-	
- factoring	-	(57)	-	-	(57)	(5)
- other loans and receivables	-	-	-	-	-	
2. Loans and receivables with financial institutions	(251)	(127)	-	-	(378)	(10)
Impaired loans and receivables acquired	-	-	-	-	-	-
- leases	-	-	-	-	-	
- factoring	-	-	-	-	-	
- other loans and receivables	-	-	-	-	-	
Other loans and receivables	(251)	(127)	-	-	(378)	(10)
- leases	-	-	-	-	-	
- factoring	(251)	(127)	-	-	(378)	(10)
- other loans and receivables	-	-	-	-	-	
3. Loans and receivables with customers	(8,096)	(4,951)	1,554	-	(11,493)	(26,792)
Impaired loans and receivables acquired	-	-	-	-	-	-
- leases	-	-	-	-	-	
- factoring	-	-	-	-	-	
- consumer credit	-	-	-	-	-	
- other loans and receivables	-	-	-	-	-	
Other loans and receivables	(8,096)	(4,951)	1,554	-	(11,493)	(26,792)
- leases	-	-	-	-	-	
- factoring	(7,309)	(4,951)	1,435	-	(10,825)	(26,667)
- consumer credit						
- other loans and receivables	(787)	-	119	-	(668)	(135)
Total	**(8,347)**	**(5,135)**	**1,554**	**-**	**(11,928)**	**(26,807)**

In detail, these changes relate to the following:

		2013	2012
1)	**Individual impairment losses:**	**(8,347)**	**(25,709)**
	Impairment losses on loans and receivables (1) (2)	(4,765)	(22,401)
	Discounting expense on impaired assets	(3,582)	(3,308)
2)	**Individual reversals of impairment losses:**	**1,554**	**620**
	Reversals of impairment on loans and receivables	361	610
	Discounting income on impaired assets	1,193	10
3)	**Collective impairment losses:**	**(5,135)**	**(1,718)**
	Collective impairment losses on loans and receivables (3)	(5,135)	(1,718)
	Total	**(11,928)**	**(26,807)**

(1) impairment losses mainly relate to the healthcare sector. In particular, the significant impairment losses of 2012 are due to the trend in receivables from the public administration acquired in prior years and relating to the Lazio region healthcare sector;

(2) the full impairment of the receivable of €711 thousand due from the provider of the new IT system, which was billed for penalties. This revenue is recognised under other operating income (see table 14.1)

(3) the 2013 impairment losses arising from the fine-tuning of the calculation method for the collective impairment losses, as described in the directors' report and illustrated in the notes to the financial statements, Part A – Section 4.

Section 9 – Administrative expenses – Caption 110

9.1 Analysis of caption 110 a) Personnel expense

€10,452 thousand (- €2,270 thousand)

		2013	2012
1.	**Employees**	**(8,941)**	**(11,581)**
a)	wages and salaries	(6,390)	(7,125)
b)	social security contributions	(1,731)	(1,929)
c)	termination benefits	(368)	(410)
d)	pension and similar costs	-	-
e)	accrual for post-employment benefits	(16)	(86)
f)	accrual for pension and similar costs:	-	-
	- defined contribution plans		
	- defined benefit plans	-	-
g)	payments to external complementary pension funds:	(236)	(279)
	- defined contribution plans	(236)	(279)
	- defined benefit plans		
h)	other expenses	(200)	(1,752)
2.	**Other personnel**	(37)	(157)
3.	**Directors and statutory auditors**	(237)	(231)
4.	**Retired personnel**	-	-
5.	**Expense recoveries for personnel seconded to other companies**	203	209
6.	**Refunds for employees seconded to the company**	(1,440)	(962)
	Total	**(10,452)**	**(12,722)**

Employees include accruals for:

- change in the provision for vacation, holiday pay and comp time;
- the accrual for the 2013 performance bonus and the related contributions of €180 thousand;
- reallocation of expense incurred following the conclusion of litigation with personnel, amounting to €102 thousand, covered by prior year accruals (see table 13.1 – Net accruals to provisions for risks and charges);
- other expenses, which include training, restaurant vouchers and employee insurance policies; in 2012 this caption included accruals for leaving incentives of €1,530 thousand.

9.2 Average number of employees by category

	31.12.2013		31.12.2012	
WORKFORCE	average	year-end	average	year-end
Employees:	**133**	**132**	**141**	**138**
a) managers	6	6	7	6
b) total senior and junior managers	57	58	58	58
- including 3rd and 4th level junior managers	31	31	34	33
c) residual employees	70	68	76	74
Other personnel	**17**	**19**	**13**	**14**

At 31 December 2013, the company's workforce consists of:
- **employees**, numbering 132 (-6 on 31 December 2012), with an average for the year of 133 (-8 on 2012);
- **other resources,** numbering 19 (+5 on 31 December 2012), with an average of 17 for the year (+4 on 2012).

"Other personnel" relates to seconded employees.

9.3 Analysis of caption 110 b Other administrative expenses

€8,729 thousand (- €584 thousand)

Other administrative expenses	2013	2012
Lease expense	(1,548)	(1,553)
Professional ICT services	(316)	(366)
Legal and corporate advisory services	(524)	(451)
Car and furniture rental	(211)	(307)
Hardware lease	(373)	(374)
Hardware maintenance and assistance	(10)	(9)
Other building management expenses	(17)	(16)
Cleaning	(85)	(87)
Building maintenance	(47)	(56)
Membership fees	(83)	(75)
Information and chamber of commerce queries	(331)	(385)
Periodicals and volumes	(8)	(10)
Postal costs	(303)	(271)
Insurance premiums	(46)	(47)
Advertising and publicity	-	(12)
Entertainment expenses	(2)	(1)
Electronic transmission and telephone networks	(97)	(156)
Outsourcing to third parties	(845)	(938)
Outsourcing to group companies	(588)	(508)
Travel expenses	(179)	(241)
Credit recovery expenses	(2,167)	(1,857)
Printed matter, stationary and consumables	(37)	(58)
Transport and relocations	(16)	(18)
Work experience stipends	(3)	(33)
Information system migration expenses	(8)	(977)
Other expenses	(98)	(86)
Total administrative expenses	**(7,943)**	**(8,892)**
Indirect taxes and duties	**(786)**	**(421)**
- VAT on infragroup contracts	(81)	(202)
- Stamp tax	(215)	(206)
- Other taxes	(490)	(13)
Total	**(8,729)**	**(9,313)**

N.B. – Under the VAT system adopted by the company, in accordance with article 36-bis of Presidential decree no. 633/72, the related VAT is also recognised at cost, where applicable.

The company significantly contained the expense of the IT system migration in 2013 compared to 2012 by renegotiating the agreement with the system provider.

Section 10 – Depreciation and net impairment losses on property and equipment – Caption 120

10.1 Analysis of caption 120 Depreciation and net impairment losses on property and equipment

€141 thousand (- €113 thousand)

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount at 31.12.2013	Carrying amount at 31.12.2012
1. Assets used in operations					
1.1 owned	(141)	-	-	(141)	(255)
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) furniture	(19)	-	-	(19)	(19)
d) equipment	(28)	-	-	(28)	(29)
e) other	(95)	-	-	(95)	(207)
1.2 under finance lease	-	-	-	-	-
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) furniture	-	-	-	-	-
d) equipment	-	-	-	-	-
e) other	-	-	-	-	-
2. Investment property	-	-	-	-	-
Total	**(141)**	**-**	**-**	**(141)**	**(255)**

Section 11 – Amortisation and net impairment losses on intangible assets – Caption 130

11.1 Analysis of caption 130 Amortisation and net impairment losses on intangible assets

€527 thousand (- €3 thousand)

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount at 31.12.2013	Carrying amount at 31.12.2012
1. Goodwill	-	-	-	-	-
2. Other intangible assets	(71)	(456)	-	(527)	(530)
2.1 owned	(71)	(456)	-	(527)	(530)
2.2 under finance lease	-	-	-	-	-
3. Assets under finance lease	-	-	-	-	-
4. Assets under operating lease	-	-	-	-	-
Total	**(71)**	**(456)**	**-**	**(527)**	**(530)**

Impairment losses relate to the software licence acquired in 2010 (see the note at the foot of asset table 11.2 – Intangible assets: changes in the year).

Section 13 – Net accruals to provisions for risks and charges – Caption 150

13.1 Analysis of caption 150 Net accruals to provisions for risks and charges

€102 thousand (+ €607 thousand)

Accruals	2013	2012
Insolvency litigation and legal expenses	-	-
Risks for disputes brought about by third parties and legal expenses	-	-
Risks and charges related to personnel	102	(123)
Other risks and charges	-	(382)
Total	**102**	**(505)**

In addition, utilisations of provisions for risks and charges are allocated to the individual income statement captions in which the expense covered by the accrual are classified.
The increase in the year is the effect of the reallocation of expense following the conclusion of disputes with personnel that were pending at the end of 2012 (see table 9.1 - Personnel expense).

Section 14 – Other operating income and expenses – Caption 160

14.1 Analysis of caption 160 Net other operating income

€1,452 thousand (- €257 thousand)

a) Other operating income	2013	2012
Expense recoveries	808	650
Factoring	373	974
Services	-	113
Revenue from invoiced penalties	711	-
Prior year income	119	45
Other sundry	-	16
Total a	**2,012**	**1,798**

b) Other operating expenses	31.12.2013	2012
Prior year expense and losses	(144)	(84)
Losses on the impairment of the receivable from INPS	(401)	-
Other sundry	(15)	(5)
Total b	**(560)**	**(89)**

Total a+b	**1,452**	**1,709**

Expense recoveries refer to recharges to originators without mark-ups, i.e., legal expenses, registration taxes and bank expenses.
Factoring revenue mainly relates to gains recognised on the collection of receivables which were acquired at prices significantly lower than their nominal amount.
Revenue from invoiced penalties relates to the invoice issued to the provider of the new IT system for contractual claims. The receivable was fully impaired (see table 8.1 Net impairment losses on loans and receivables).
The loss on the full impairment of the receivable from INPS is described under table 14.1 -"Other assets".

Section 15 – Net gains (losses) on equity investments – Caption 170
15.1 Analysis of caption 170 Net gains (losses) on equity investments"
- €0 (- €740 thousand)

	2013	2012
1. Gains	-	**740**
2. Losses	-	-
Net gains	-	740

In 2012, the gain related to the sale of the investment in Siderfactor S.p.A. in liquidation.

Section 17 – Income taxes – Caption 190

17.1 Analysis of caption 190 "Income taxes"
€4,571 thousand (+ €5 thousand)

	2013	2012
1. Current taxes	(7,304)	(10,739)
2. Changes in current taxes of prior years	179	383
3. Decrease in current taxes of the year	-	-
3.bis Reduction in current taxes due to tax assets pursuant to Law no. 214/2011	-	-
4. Change in deferred tax assets	2.554	5.797
5. Change in deferred tax liabilities	1	(6)
Income taxes of the year	**(4,571)**	**(4,565)**

Current taxes
Current taxes have been calculated at the current rates: IRES of 36.00% and IRAP of 5.57%.

As required by the "Stability law for 2014", solely for the tax period underway at 31 December 2013, the ordinary IRES rate (27.50%) was increased by an additional 8.50% for banking and financial institutions only. The only exception to this rate applies to increases in the portions of impairment losses on loans and receivables that are not deductible in the year. The consequent impact is expense of €750 thousand.

The calculation of current taxes was also affected by other significant changes in the same measure which also relate to banking and financial institutions, beginning in 2013:

a) the deductibility of net impairment losses on loans and receivables for IRES purposes over five years only (versus the 18-year period applicable to net impairment losses exceeding 0.3% of loans and receivables) from the year when they are recognised (rather than the subsequent year);
b) the extension of this tax system to losses realised through the factoring of loans and receivables as well (which were previously fully deductible in the year of recognition);
c) the application of these two changes to IRAP as well.

The consequent positive impact, generated solely by the change in letter c), amounts to approximately €100 thousand (IRAP deductibility of 1/5 of net impairment losses on loans and receivables).

Current taxes include significant increases arising, as in the past, on the portion (currently 4/5) that is not tax deductible in the year of recognition and for which deferred tax assets have been accrued (IRES of 27.50% and IRAP of 5.57%).

Deferred tax assets/liabilities

The changes introduced to the tax system have enabled the company to recognise deferred tax assets for IRAP purposes as well, thereby reducing the tax charge by approximately €500 thousand.

Other information

The Polish branch's activities generated taxable profit (approximately €2.1 million), entailing income taxes of €628 thousand (tax rate of 19%) to be paid in Poland, compared to €753 thousand calculated under Italian tax legislation (IRES).

There were no changes in deferred tax assets or decreases in current taxes due to the conversion of deferred tax assets into tax assets in accordance with Law no. 214/2011.

17.2 Reconciliation of the theoretical tax charge with the effective tax charge (1)

	Tax base	Tax	% ord.	% add. 2013	Tax base	Tax	%	Other tax effects	Total
	IRES				IRAP				
Pre-tax profit	11,913				11,913				11,913
Total income	-				42,136				-
Theoretical tax (at the ordinary rate)		3,276	27.50%			2,347	5.57%		5,623
Theoretical tax (with the higher rate for 2013)		1,013		8.50%					1,013
Permanent decreases at the ordinary rate	(1,534)	(422)	(3.54)%		(14,050)	(783)	(1.86)%		(1,204)
Permanent decreases with the higher rate		(130)		(1.09)%					(130)
Permanent increases at the ordinary rate	617	170	1.42%		2,375	132	0.31%		302
Permanent increases with the higher rate		52		0.44%					52
Temporary differences:									
- Differences that will reverse in upcoming years at the ordinary rate	9,543	2,677	22.03%		0	0	0%		2,677
- Differences that will reverse in upcoming years with the higher rate	736	63		0.53%					63
- Reversals of prior year differences at the ordinary rate	(2,913)	(801)	(6.72)%		0	0	0%		(801)
- Reversals of prior year differences with the higher rate		(248)		(2.08)%					(248)
Actual tax		5,650	40.69%	6.29%		1,697	4.03%		7,346
Adjustment for income generated abroad (Poland)		125				(83)			42
Tax consolidation adjustment (assets from the parent)		(84)							(84)
Total current taxes		5,691				1,614			7,304
Change in deferred tax assets/liabilities (2)								(2,555)	(2,555)
Change in prior year current taxes								(179)	(179)
Recognised income taxes		5,691				1,614		(2,733)	4,571

(1) IRES is calculated as a percentage of the pre-tax profit. However, IRAP is calculated as a percentage of total income.
(2) including IRAP of -€532 for deferred tax assets on 4/5 of the impairment losses recognised on loans and receivables and not deducted in the year.

The total tax rate, calculated as the ratio of income taxes to pre-tax profit from continuing operations, is 38.37%, compared to 57.74% in 2012.
The decrease is due to the following:

- recognition of greater current taxes (by approximately €600 thousand) for the Polish branch in 2012 only (following the adoption of a new accounting method);

- reversal of temporary differences from prior years (particularly in the first 18 percent of the material impairment losses recognised on loans and receivables not deducted in 2012, as well as accruals to the provision for risks and charges not deducted in previous years;
- net positive impact of changes in the tax system for IRAP purposes (given the significant impairment losses on loans and receivables).

Section 19 – Income statement: other information

19.1 Analysis of interest and fee and commission income

	Interest income			Fee and commission income			2013	2012
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1 Finance leases	-	-	-	-	-	-	-	-
- buildings	-	-	-	-	-	-	-	-
- chattels	-	-	-	-	-	-	-	-
- equipment	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2 Factoring	-	-	40,959	-	-	20,565	**61,524**	**83,538**
- current receivables	-		33,620	-	-	17,305	**50,925**	**70,966**
- future receivables	-	-	8	-	-	3	**11**	**75**
- receivables acquired definitively	-	-	6,692	-	-	3,257	**9,949**	**12,170**
- receivables acquired at below the nominal amount	-	-	-	-	-	-	-	-
- other loans	-	-	639	-	-	-	**639**	**327**
3 Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- loans for specific purposes	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	-	-	-	-	-	-	-	-
- trade	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-		-	
Total	-	-	**40,959**	-	-	**20,565**	**61,524**	**83,538**

In addition to that disclosed above, additional non-factoring interest income of €529 thousand has been recognised in profit or loss. It is analysed below:

- loans for specific purposes of €107 thousand
- positive current account balances of €133 thousand
- insurance policy return of €289 thousand.

Furthermore, additional non-factoring fee and commission income of €28 thousand was recognised in profit or loss in relation to expense recoveries with mark-ups on loans for specific purposes (€2 thousand).

Part D – OTHER INFORMATION

Section 1 - Specific information on operations

B. FACTORING AND TRANSFERS OF LOANS AND RECEIVABLES

B.1 - Gross amount and carrying amount
B.1.1. Factoring

	Total at 31.12.2013			Total at 31.12.2012		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	1,912,992	(10,473)	1,902,519	2,000,770	(5,154)	1,995,616
- exposure to originators (with recourse):	1,200,879	(6,301)	1,194,578	1,335,085	(3,255)	1,331,830
- transfers of future receivables	403	-	403	350	-	350
- other	1,200,476	(6,301)	1,194,175	1,334,735	(3,255)	1,331,480
- exposure to transferred debtors (without recourse)	712,113	(4,172)	707,941	665,685	(1,899)	663,786
2. Impaired assets	307,181	(32,806)	274,375	315,266	(27,145)	288,121
2.1 Non-performing	253,463	(32,208)	221,255	104,054	(25,327)	78,727
- exposure to originators (with recourse):	240,622	(24,131)	216,491	95,370	(19,893)	75,477
- transfers of future receivables	89	(10)	79	112	(34)	78
- other	240,533	(24,121)	216,412	95,258	(19,859)	75,399
- exposure to transferred debtors (without recourse):	12,841	(8,077)	4,764	8,684	(5,434)	3,250
- acquired at below nominal amount	1,278	(1,278)	-	1,296	(1,296)	-
- other	11,563	(6,799)	4,764	7,388	(4,138)	3,250
2.2 Doubtful	3,709	(425)	3,284	154,876	(1,762)	153,114
- exposure to originators (with recourse):	2,813	(276)	2,537	154,623	(1,649)	152,974
- transfers of future receivables						
- other	2,813	(276)	2,537	154,623	(1,649)	152,974
- exposure to transferred debtors (without recourse):	896	(149)	747	253	(113)	140
- acquired at below nominal amount						
- other	896	(149)	747	253	(113)	140
2.3 Restructured	-	-	-	-	-	-
- exposure to originators (with recourse):						
- transfers of future receivables						
- other						
- exposure to transferred debtors (without recourse):						
- acquired at below nominal amount						
- other						
2.4 Past due	50,009	(173)	49,836	56,336	(56)	56,280
- exposure to originators (with recourse):	16,189	(17)	16,172	8,031		8,031
- transfers of future receivables						
- other	16,189	(17)	16,172	8,031		8,031
- exposure to transferred debtors (without recourse):	33,820	(156)	33,664	48,305	(56)	48,249
- acquired at below nominal amount						
- other	33,820	(156)	33,664	48,305	(56)	48,249
Total	**2,220,173**	**(43,279)**	**2,176,894**	**2,316,036**	**(32,299)**	**2,283,737**

Supervisory legislation provides for special treatment for positions with exposure to the public administration that are classified as “past due”.
Given the significant amount of receivables for which the assessment and settlement of amounts are subject to legal judgements, the company is currently analysing the operational application of the legislative principle whereby exposure to the central administration and central banks, regional bodies and public sector bodies is considered past due when the administrative assessment and settlement procedures required by law have been completed.

B.2 – Breakdown by residual life

B.2.1 - Factoring with recourse: advances and total loans

Maturities	Advances		Total loans	
	Total at 31.12.2013	Total at 31.12.2012	Total at 31.12.2013	Total at 31.12.2012
- on demand	16,172	8,031	16,526	8,540
- up to 3 months	776,145	860,978	862,623	1,029,726
- from 3 to 6 months	149,787	107,119	132,115	118,573
- from 6 months to 1 year	65,842	374,710	26,758	654,086
- over 1 year	153,987	8,359	5,729	9,021
- undetermined	267,845	209,116	933,667	356,432
Total	1,429,778	1,568,313	1,977,418	2,176,378

The balance includes advances to the originator for factoring with recourse, advances for receivables factored without "legal recourse", i.e., when the factoring has not given rise to substantial transfer ("derecognition") to the factor of the risks and rewards of the transferred receivables, on the basis of IAS 39, and advances for future receivables.

B.2.2 - Factoring without recourse: exposure

Maturities	Exposure	
	Total at 31.12.2013	Total at 31.12.2012
- on demand	33,664	48,249
- up to 3 months	476,988	476,454
- from 3 to 6 months	38,518	37,873
- from 6 months to 1 year	32,360	56,965
- over 1 year	28,182	14,791
- undetermined	137,404	81,092
Total	747,116	715,424

This balance consists of total receivables acquired definitively without recourse, i.e., when the factoring has given rise to substantial transfer ("derecognition") to the factor of the risks and rewards of the transferred receivables, on the basis of IAS 39.
Loans and receivables classified in the "undetermined life" category consist of receivables due from local healthcare units in the Lazio region. The company has taken action aimed at obtaining a ruling about the factored receivables which has ended with the court order for the public administration to pay the portion for which the company has already received a ruling in its favour.

Finally, article 6-bis of Law no. 189 of 8 November 2012 further confirmed the suspension of seizure against the Lazio Region at least until 31 December 2013, guaranteeing interest paid, and extending the previously defined suspension period until 31 December 2012 under Law no. 111 of 15 July 2011.
Nevertheless, with ruling no. 186 of 3 July 2013, the Constitutional Court announced the constitutional illegitimacy of the legislative orders declaring that the local healthcare units' assets could not be seized. Following this ruling, the company may resume executive action and seize the local healthcare units in the regions subject to credit restructuring plans, including Lazio.

B.3 - Impairment losses
B.3.1 – Factoring

	Opening impairment losses	Increases				Decreases						Closing impair-ment losses
		Impairment losses	Losses on sale	Transfers from other	Other increases	Reversals of impair-ment losses	Gains on sale	Transfers to other	Derecognition	Other decreases		
Individual impairment losses on impaired assets	**27,140**	**3,031**	-	**1,807**	**3,321**	**67**		**886**	**415**	**1,191**	**32,740**
Exposure to originators	**21,574**	**1,274**	-	-	**3,257**	**5**		**273**	**196**	**1,191**	**24,440**
- Non-performing	19,926	1,154			3,257	4		-	169	-	24,164
- Doubtful	1,648	120	-		-	1		273	27	1,191	276
- Restructured	-	-	-		-	-		-	-	-	-
- Past due	-	-	-		-	-		-	-	-	-
Exposure to transferred debtors	5,566	1,757	-	1,807	64	62		613	219	-	8,300
- Non-performing	5,397	1,002		1,748	64	13		-	219		7,979
- Doubtful	113	583		59		49		557	-	-	149
- Restructured	-	-	-		-	-		-	-	-	-
- Past due	56	172	-		-	-		56	-	-	172
Collective impairment losses on other assets	**5,154**	**5,845**	-	-	**395**	-		**921**	-	-	**10,473**
- Exposure to originators	3,255	3,588	-		395	-		921			6,317
- Exposure to transferred debtors	1,899	2,257			-	-		-		-	4,156
Total	**32,294**	**8,876**	-	**1,807**	**3,716**	**67**	-	**1,807**	**415**	**1,191**	**43,213**

Impairment losses include individual impairment losses recognised on performing assets of €21 thousand in relation to originator positions classified as "pending non-performing", in line with the company's Credit Regulation, as the transferred debtor is already insolvent.

In factoring transactions without recourse, if there are past due receivables pending the term for any payment of a sub-guarantee to the originator, the contractual obligation to the originator is classified as "pending non-performing". Only when the sub-guarantee is actually paid to the originator is the amount paid classified as "non-performing".

B.4 - Other information

B.4.1 - Turnover from factored receivables

	Total at 31.12.2013	Total at 31.12.2012
1. Without recourse	1,579,922	1,682,379
- including: acquired at below nominal amount	-	-
2. With recourse	5,487,295	5,755,157
Total turnover from factoring	**7,067,217**	**7,437,536**
Loans for a specific purpose	-	-
Other transactions	529,335	634,905
Total operating volumes	**7,596,552**	**8,072,441**

B.4.2 - Collection services

	Total at 31.12.2013	Total at 31.12.2012
Loans and receivables collected during the year	223,228	362,360
Loans and receivables in place at the reporting date	93,919	100,301

B.4.3 Nominal amount of factoring agreements for future receivables

	Total at 31.12.2013	Total at 31.12.2012
Flow of agreements to acquire future receivables in the year	19,811	66,801
Agreements in place at the reporting date	18,140	50,735

D. Guarantees given and commitments

D.1 - Value of guarantees given and commitments

Transactions	31.12.2013	31.12.2012
1. Financial guarantees given enforceable upon demand	10,464	773
a) Banks	9,869	-
b) Financial institutions	595	773
c) Customers	-	-
2. Financial guarantees given	-	-
a) Banks		
b) Financial institutions		
c) Customers		
3. Trade guarantees given	18	18
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	18	18
4. Irrevocable commitments to provide funds	174,508	196,771
a) Banks	-	-
i) of certain use	-	-
ii) of uncertain use	-	-
b) Financial institutions	-	-
i) of certain use	-	-
ii) of uncertain use	-	-
c) Customers	174,508	196,771
i) of certain use	-	-
ii) of uncertain use	174,508	196,771
5. Commitments underlying credit derivatives: protection sales	-	-
6. Assets pledged to guarantee third party obligations	-	-
7. Other irrevocable commitments	-	-
Total	**184,990**	**197,562**

The value of firm commitments to disburse funds is calculated as the difference between the total approved amount and the total financed amount within the scope of non-IAS without recourse factoring transactions.

Section 3 - Risks and risk management policies

3.1 CREDIT RISK

QUALITATIVE INFORMATION

1 General information

Factoring consists of establishing a continuous relationship in which a company transfers, in accordance with Law no. 52/1991 or pursuant to the Italian Civil Code, a significant portion of its portfolio of existing or future receivables to the factor, which provides a customised service based on three specific activities: credit management, guaranteeing against debtor default and lending by providing advances on the same receivables (the financing, therefore, is self-liquidating and, normally short-term, depending on the collection time of the outstanding trade receivables).

Through this credit management service (accounting, checking due dates, collecting receivables, sending payment reminders and credit collection activities, etc.), the factor forges a continuous relationship with the originator and, accordingly, with the latter's debtors, acquiring in-depth knowledge of the trade receivable policy developed. Indeed, the factor enters into a business relationship that is already in place between the parties, or that will take place between them in the future, in the event of the factoring of future receivables.

Accordingly, the relationship between the factor, originator and debtors is not merely occasional and/or temporary, but must instead develop systematically and continuously, enabling the intermediary to monitor the counterparties' financial positions and performance.

In this context, risk monitoring and consequent risk management (credit risk, in particular) based on factoring logic use analytical/subjective evaluations of the originators and the transferees that are both quantitative (primarily based on previous, current and prospective financial conditions) and qualitative (level of management, competitiveness and prospects of the product, acquirer market and its economic circumstances), with the large-scale digitalisation of information and settlement of flows, within the scope of an overall activity in which the various company functions operate through synergies, constantly, reactively and flexibly.

Risk containment is then supplemented by the diversification policy, which, first and foremost, considers individual counterparties (concentration of accounts, types of credit granted, duration, type of factored credit and the possibility of its assessment-management-recovery). Risk diversification must then extend to the company's total portfolio of factored receivables, diversifying by product, region, size and financial and service content of the company's overall business, in line with the parent's guidelines.

In the light of the above, the company has developed commercial activities with the aim of providing the most up-to-date offer possible, in response to changes in demand, and making the most of the resources in the Milan office, the operating unit in Pordenone and the Polish branch. The company has also ramped up the development of synergies with the UBI Banca Group's network.

2 Credit risk management policies

The main principles and operating methods are set forth in the "Governance and control rules" approved by the parent's relevant bodies and implemented by UBI Factor S.p.A..

In this way, on the basis of a structured series of guidelines, the company's "institutional" aspects (company officers, extraordinary equity transactions, strategic business plans, relationships with the supervisory bodies, etc.) and "functional" relationships with the parent (Planning and Control, Organisation and Human Resources, Operations and Services, entering new sectors and products) are regulated as part of a centralised control and monitoring system. Accordingly, credit risk management policies also fall under this system.

The main risk factors

As factor, the company's activities are characterised by its offer of customised services (lending, management and guarantee services) and enable it to outline the following main risk factors:

	Lending		Without lending	
With recourse	Management service	No management service	Management service	No management service
Without recourse	Management service	No management service	Management service	No management service

(orange)	Credit risk originating from on-statement of financial position exposure
(light orange)	Credit risk originating from off-statement of financial position exposure
(light yellow)	No credit risk

The purpose of the lending service is to provide customers with advances on receivables that have not yet fallen due. It leads to cash exposure for the factor equal to the agreed advance, which does not generally exceed an established percentage of the transferred receivables.

Guarantees against insolvency protect originators from default by the transferred debtor, with the exception of cases explicitly governed by the factoring agreement (e.g.: non-existent receivable,

offsetting and contested supplies). Except for certain specific products, the factor undertakes to pay, in the absence of an advance, the amount of the transferred receivables after a certain number of days have passed from when they fell due. If the receivables are not acquired definitively or if no advance is provided, this service gives rise to guarantee exposure for the factor, equal to the revolving limit (which becomes available again as the transferred receivables are collected) within which the factor undertakes to guarantee payment of receivables to the originator. In order to mitigate the assumed risk, the factor may negotiate specific types of restrictions to the guarantee.
Factoring transactions therefore provide for the structural and concurrent presence of three parties: the originator, the factor and the transferred debtor(s). Accordingly, in order to measure risk, the unit of observation is the originator/transferee relationship (except for direct lending, in which the financed debtor constitutes the observation unit) in which the intermediary may be exposed in a variety of ways: part of the transferred receivables may be with recourse and part may be without; part of the transferred receivables may be advanced and part not, etc.. The composition of the individual exposures in each originator/transferee relationship is a crucial element for the factor, as it enables the latter to measure the actual risk level of its exposure. Indeed, the types of factoring transactions are determined on the basis of the originator/transferee relationship. Similarly, the acquisition of any guarantees from third parties is generally based on that relationship and not the individual transfer.

2.1 Organisational information

In the light of the above, risks are monitored using an organisational structure in order to separately analyse and grant credit to counterparties (originator, debtor/s) and manage the related financial transactions. Risks are monitored throughout all core phases of the lending process and may be summarised as follows:

- “analysis and evaluation”: quantitative and qualitative information is gathered from the relevant counterparties and from the system in order to assign a credit rating to the counterparty and quantify the proposed credit line;
- “approval and formalisation”: once the proposal has been approved, the contractual documentation is prepared for the originator’s signature;
- “monitoring”: continuous monitoring of counterparties to which credit has been granted, both in relationships with the factor and in the system, in order to identify any irregularities and, accordingly, act in a timely manner; with specific reference to past due loans, monitoring includes out-of-court activities involving automated and customised reminders, and, if necessary, legal action with the support of legal advisors.

2.2 Risk management, measurement and control

Risk classification

The internal classification rules for loans and receivables are set forth in the new "Credit Regulation", which has been approved by the Board of Directors and which considers the parent's guidelines. It is an integral part of the company's currently applicable service orders.
Reclassifications between the various categories are specifically defined by company regulations, which have been approved by the Board of Directors, with the identification of specific circumstances in terms of form and/or substance.

The Credit Committee is specifically responsible for the classification and proposed management of default assets (continuously past due by over 90 days, restructured, doubtful and non-performing), after having requested and received an opinion of consistency with Group credit guidelines in advance from the parent's Credit or Irregular Credit and Credit Recovery Departments.

Under the aforementioned "Credit Regulation", such amounts are initially classified as follows:

- "level 1 risk" (direct risks), which identifies the party to which the factoring company is initially exposed;
- "level 2 risk", which identifies the credit granted to the counterparty of the main party to which the factoring company is initially exposed.

Furthermore, within this macro classification, there are sub-groups depending on the type of counterparty with which the obligation has been assumed and the type of underlying transaction.
In order to more efficiently monitor the lending process, additional sub-categories have been created for performing assets (operating, under monitoring, suspended, under elimination, start-up and revoked).

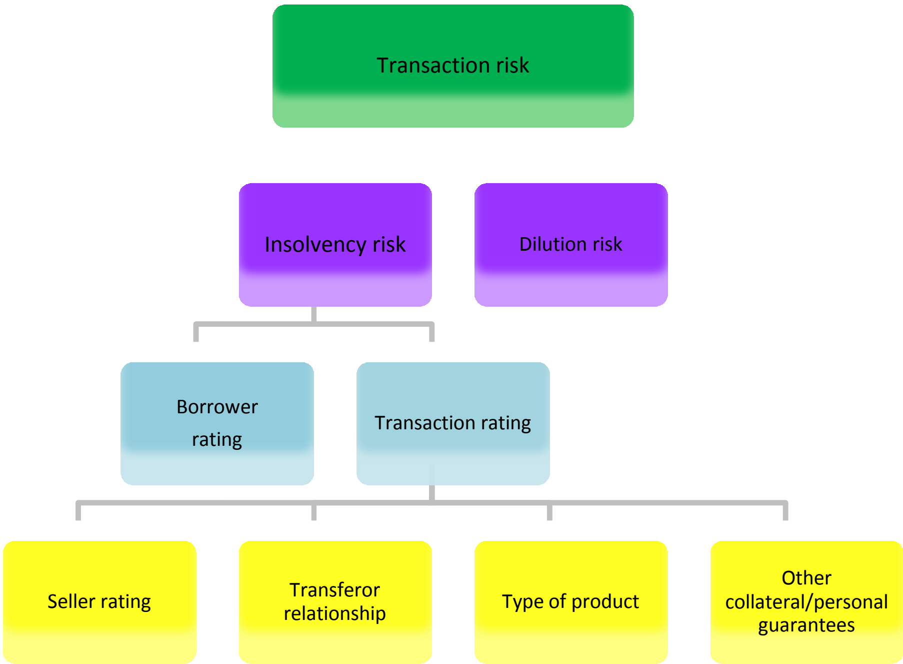
Assets are classified as "default" (continuously past due by over 90 days, restructured, doubtful and non-performing) in accordance with the criteria established in the "Credit Regulation" and the parent's directives. Classification as such is not the result of discretionary assessment, but it is based on counterparty conduct, which is deemed to anticipate a temporary or definitive difficulty in meeting obligations. Given the particular risk of these loans, they are managed by a specific organisational unit (Irregular Credit Service).

Control systems

Credit risk monitoring involves the entire structure responsible for managing relationships with originators and transferred debtors. It is defined in the specific internal "Credit Monitoring Manual".

Risk measurement systems

The definition of a credit risk measurement system in the factoring segment relates closely to this specific type of activity, which, as noted above, differs in structure from that of a banking business. The related conceptual model can be summarised as follows:



The credit risk of the factoring transaction therefore arises from default risk and dilution risk (1), which must be measured separately and then reconciled.

Default risk relates to all borrower ratings and transaction ratings. The former can be defined by the probability of default (PD) regulatory parameter, related to the counterparty's credit quality, while the latter is an overall rating of the characteristics of the transaction taken as a whole, which, in summary, can be expressed by the loss given default (LGD) regulatory parameter.

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[1]As indicated in paragraph 369 of the New Basel Accord, dilution risk refers to the "possibility that the receivable amount is reduced through cash or non-cash credits to the receivable's obligor.[...] Examples include offsets or allowances arising from returns of goods sold, disputes regarding product quality, possible debts of the borrower to a receivables obligor, and any payment or promotional discounts offered by the borrower".

This logical scheme serves as the company's guideline for the development of internal credit risk measurement models.

Moreover, until internal ratings-based (IRB) models are developed with the parent, the company has decided to use the standardised method provided for by the New Basel Accord (and implemented by the "Supervisory instructions for financial intermediaries included in the Special List – circular no. 216 of 5 August 1996, 7th update dated 9 July 2007 and subsequent updates), in accordance with the agreement signed by the parent, UBI Banca with the rating agency, Cerved S.p.A. (formerly Lince S.p.A.), which is an ECAI recognised by Banca d'Italia.

Accordingly, in this context, PD has not yet been measured. It follows that the borrower rating is still incomplete and the result of a joint analysis of quantitative information based on the financial statements of the previous three years (using data provided by a third party market leader approved by the parent) and qualitative information gathered informally by the sales managers.

Although the calculation of the LGD with respect to the transaction rating uses an advanced approach, the company believes that it is strategically advantageous for the factoring segment. It is waiting to agree on a calculation method with the parent for the subsequent preparation of the overall model.

QUANTITATIVE INFORMATION

1 Credit exposure by portfolio and credit quality

Portfolio/quality	Non-performing	Doubtful	Restructured	Impaired past due	Other assets	Total
1. Financial assets held for trading						
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets						
4. Held-to-maturity investments					9,296	9,296
5. Loans and receivables with banks				8,200	59,510	97,710
6. Loans and receivables with financial institutions	4,800				56,587	61,387
7. Loans and receivables with customers	221,526	3,614		41,637	1,592,914	2,214,932
8. Hedging derivatives						
Total at 31.12.2013	**226,326**	**3,614**	**-**	**49,837**	**1,718,307**	
Total at 31.12.2012	**79,055**	**153,626**	**-**	**56,335**	**1,838,162**	**2,418,070**

2 Credit exposure

2.1 Loans and receivables with customers: gross and net amounts

	Gross amount	Individual impairment	Collective impairment	Net amount
A. IMPAIRED ASSETS	302,050	35,273	-	266,777
ON-STATEMENT OF FINANCIAL POSITION	302,050	35,273	-	266,777
- Non-performing	256,187	34,661		221,526
- Doubtful	4,101	487		3,614
- Restructured				-
- Impaired past due	41,762	125		41,637
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**302,050**	**35,273**	**-**	**266,777**
B. PERFORMING ASSETS:	1,958,502	-	10,347	1,948,155
- Unimpaired past due	357,825		2,584	355,241
- Other	1,600,677		7,763	1,592,914
Total B	**1,958,502**	**-**	**10,347**	**1,948,155**
Total (A+B)	**2,260,552**	**35,273**	**10,347**	**2,214,932**

2.2 Loans and receivables with banks and financial institutions: gross and net amounts

	Gross amount	Individual impairment	Collective impairment	Net amount
A. IMPAIRED ASSETS	13,298	298	-	13,000
ON-STATEMENT OF FINANCIAL POSITION	13,298	298	-	13,000
- Non-performing	5,051	251		4,800
- Doubtful				-
- Restructured				-
- Impaired past due	8,247	47		8,200
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**13,298**	**298**	**-**	**13,000**
B. PERFORMING ASSETS:	116,233	-	136	116,097
- Unimpaired past due				-
- Other	116,233		136	116,097
Total B	**116,233**	**-**	**136**	**116,097**
Total (A+B)	**129,531**	**298**	**136**	**129,097**

As required by the Banca d'Italia letter of 22 February 2011, and in line with IFRS 7, unimpaired past due amounts are detailed below:

	Up to 3 months	Total exposure
Unimpaired past due:	357,825	357,825
- exposure to originators (with recourse)	246,461	246,461
- exposure to transferred debtors (without recourse)	111,364	111,364
- Other	-	-

2.3 Classification of exposure based on external and internal ratings

2.3.1 Breakdown of credit exposure on- and off-statement of financial position by third party rating class

Exposure	External ratings						
	A1.1 - A3.1	B1.1	B1.2 - B2.2	C1.1	C1.2 - C2.1	No rating	Total
A. Cash exposure	228,492	193,459	258,648	14,611	49,713	1,470,009	2,214,932
B. Derivatives							
B.1 Financial derivatives							
B. Credit derivatives							
C. Guarantees given						10,482	10,482
D. Commitments to disburse funds						174,508	174,508
Total	**228,492**	**193,459**	**258,648**	**14,611**	**49,713**	**1,654,999**	**2,399,922**

2.3.2 Breakdown of credit exposure on- and off-statement of financial position by internal rating class

Exposure	Internal ratings						
	Rating 1	Rating 2	Rating 3	Rating 4	No rating	Impaired	Total
A. Cash exposure					2,214,932		2,214,932
B. Derivatives							
B.1 Financial derivatives							
B. Credit derivatives							
C. Guarantees given					10,482		10,482
D. Commitments to disburse funds					174,508		174,508
Total	**0**	**0**	**0**	**0**	**2,399,922**	**0**	**2,399,922**

3 Credit concentration

3.1 Loans to customers by counterparty business segment: gross and net amounts

a) Public administration

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	28,010	1,436	-	26,574
ON-STATEMENT OF FINANCIAL POSITION	28,010	1,436	-	26,574
- Non-performing	6,018	1,370		4,648
- Doubtful	-	-		-
- Restructured				-
- Impaired past due	21,992	66		21,926
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**28,010**	**1,436**	**-**	**26,574**
B. PERFORMING ASSETS:	101,473	-	4,220	97,253
- Unimpaired past due	17,852		1,054	16,798
- Other	83,621		3,166	80,455
Total B	**101,473**	**-**	**4,220**	**97,253**
Total (A+B)	**129,483**	**1,436**	**4,220**	**123,827**

b) Households

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	282	227	-	55
ON-STATEMENT OF FINANCIAL POSITION	282	227	-	55
- Non-performing	282	227		55
- Doubtful				-
- Restructured				-
- Impaired past due				-
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**282**	**227**	**-**	**55**
B. PERFORMING ASSETS:	4,391	-	-	4,391
- Unimpaired past due	807		-	807
- Other	3,584		-	3,584
Total B	**4,391**	**-**	**-**	**4,391**
Total (A+B)	**4,673**	**227**	**-**	**4,446**

c) Non-profit organisations serving households

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	218,221	14,673	-	203,548
ON-STATEMENT OF FINANCIAL POSITION	218,221	14,673	-	203,548
- Non-performing	218,221	14,673		203,548
- Doubtful				-
- Restructured				-
- Impaired past due				-
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**218,221**	**14,673**	**-**	**203,548**
B. PERFORMING ASSETS:	20,558	-	1,068	19,490
- Unimpaired past due	3,580		267	3,313
- Other	16,978		801	16,177
Total B	**20,558**	**-**	**1,068**	**19,490**
Total (A+B)	**238,779**	**14,673**	**1,068**	**223,038**

d) Rest of the world

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	1,984	1,315	-	669
ON-STATEMENT OF FINANCIAL POSITION	1,984	1,315	-	669
- Non-performing	1,871	1,314		557
- Doubtful				-
- Restructured				-
- Impaired past due	113	1		112
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**1,984**	**1,315**	**-**	**669**
B. PERFORMING ASSETS:	582,518	-	1,579	580,939
- Unimpaired past due	106,710		394	106,316
- Other	475,808		1,185	474,623
Total B	**582,518**	**-**	**1,579**	**580,939**
Total (A+B)	**584,502**	**1,315**	**1,579**	**581,608**

e) Non-financial companies

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	53,553	17,622	-	35,931
ON-STATEMENT OF FINANCIAL POSITION	53,553	17,622	-	35,931
- Non-performing	29,795	17,077		12,718
- Doubtful	4,101	487		3,614
- Restructured				-
- Impaired past due	19,657	58		19,599
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**53,553**	**17,622**	**-**	**35,931**
B. PERFORMING ASSETS:	1,249,562	-	3,480	1,246,082
- Unimpaired past due	228,876		869	228,007
- Other	1,020,686		2,611	1,018,075
Total B	**1,249,562**	**-**	**3,480**	**1,246,082**
Total (A+B)	**1,303,115**	**17,622**	**3,480**	**1,282,013**

3.2 Loans to customers by counterparty geographical segment: net amounts

a) Public administration

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	1,403	1,460	952	22,759	-	-	26,574
ON-STATEMENT OF FINANCIAL POSITION	1,403	1,460	952	22,759	-	-	26,574
- Non-performing			8	4,640			4,648
- Doubtful							-
- Restructured							-
- Impaired past due	1,403	1,460	944	18,119			21,926
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**1,403**	**1,460**	**952**	**22,759**	**-**	**-**	**26,574**
B. PERFORMING ASSETS:	6,419	1,051	59,643	30,140	-	-	97,253
- Unimpaired past due	1,109	182	10,302	5,205			16,798
- Other	5,310	869	49,341	24,935			80,455
Total B	**6,419**	**1,051**	**59,643**	**30,140**	**-**	**-**	**97,253**
Total (A+B)	**7,822**	**2,511**	**60,595**	**52,899**	**-**	**-**	**123,827**

b) Households

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	-	-	-	38	17	-	55
ON-STATEMENT OF FINANCIAL POSITION	-	-	-	38	17	-	55
- Non-performing				38	17		55
- Doubtful							-
- Restructured							-
- Impaired past due							-
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**-**	**-**	**-**	**38**	**17**	**-**	**55**
B. PERFORMING ASSETS:	1,202	877	1,226	251	835	-	4,391
- Unimpaired past due	221	161	225	46	154		807
- Other	981	716	1,001	205	681		3,584
Total B	**1,202**	**877**	**1,226**	**251**	**835**	**-**	**4,391**
Total (A+B)	**1,202**	**877**	**1,226**	**289**	**852**	**-**	**4,446**

c) Non-profit organisations serving households

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	8,099	-	195,449	-	-	-	203,548
ON-STATEMENT OF FINANCIAL POSITION	8,099	-	195,449	-	-	-	203,548
- Non-performing	8,099		195,449				203,548
- Doubtful							-
- Restructured							-
- Impaired past due							-
OFF-STATEMENT OF FINANCIAL POSITION	-	-		-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**8,099**	**-**	**195,449**	**-**	**-**	**-**	**203,548**
B. PERFORMING ASSETS:	912	-	18,578	-	-	-	19,490
- Unimpaired past due	155		3,158				3,313
- Other	757		15,420				16,177
Total B	**912**	**-**	**18,578**	**-**	**-**	**-**	**19,490**
Total (A+B)	**9,011**	**-**	**214,027**	**-**	**-**	**-**	**223,038**

d) Rest of the world

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	-	-	-	-	-	669	669
ON-STATEMENT OF FINANCIAL POSITION	-	-	-	-	-	669	669
- Non-performing						557	557
- Doubtful							-
- Restructured							-
- Impaired past due						112	112
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**-**	**-**	**-**	**-**	**-**	**669**	**669**
B. PERFORMING ASSETS:	-	-	-	-	-	580,939	580,939
- Unimpaired past due						106,316	106,316
- Other						474,623	474,623
Total B	**-**	**-**	**-**	**-**	**-**	**580,939**	**580,939**
Total (A+B)	**-**	**-**	**-**	**-**	**-**	**581,608**	**581,608**

e) Non-financial companies

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	6,309	1,825	23,292	4,489	16	-	35,931
ON-STATEMENT OF FINANCIAL POSITION	6,309	1,825	23,292	4,489	16	-	35,931
- Non-performing	2,013	105	6,622	3,962	16		12,718
- Doubtful	376	70	2,643	525			3,614
- Restructured							-
- Impaired past due	3,920	1,650	14,027	2			19,599
OFF-STATEMENT OF FINANCIAL POSITION	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**6,309**	**1,825**	**23,292**	**4,489**	**16**	**-**	**35,931**
B. PERFORMING ASSETS:	490,647	182,465	482,009	35,074	55,887	-	1,246,082
- Unimpaired past due	89,778	33,387	88,198	6,418	10,226		228,007
- Other	400,869	149,078	393,811	28,656	45,661		1,018,075
Total B	**490,647**	**182,465**	**482,009**	**35,074**	**55,887**	**-**	**1,246,082**
Total (A+B)	**496,956**	**184,290**	**505,301**	**39,563**	**55,903**	**-**	**1,282,013**

3.3 Large exposure

	31.12.2013
a) nominal amount of large exposure	1,949,575
a) weighted total of large exposure	919,216
c) number	26

	31.12.2012
a) nominal amount of large exposure	2,204,876
a) weighted total of large exposure	951,094
c) number	31

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE INFORMATION

1 General information

Interest rate risk, i.e., the transformation of due dates or imbalance between the average due dates of assets and liabilities, is immaterial in the scope of the company's activities, as its assets consist of loans and receivables with customers with clear and well-defined due dates. Furthermore, the company does not trade on the market and, accordingly, the average ageing of assets is closely monitored and not subject to unexpected fluctuations.

Accordingly, the company's sources of funding are structured on the basis of the type of lending.

Financial management is not speculative and average spreads remain at more or less steady levels throughout the year.

There are no substantial differences between sources of funding and the application of funds, as the company uses index-linked instruments on both ends.

2 Interest rate risk management

In the light of the above, overall, the company does not use advanced cash management models, as it finds it sufficient to carefully monitor the sources and application of funds, which have short-term lives on average.

Cash management is integrated in the Factoring and General Ledger functions and bank balances are continuously updated using the remote banking services of one of the Group's banks. Accordingly, funding rates are monitored continuously and on a daily basis.

QUANTITATIVE INFORMATION

1 Residual life (repricing date) of financial assets and liabilities

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Undetermined
1. Assets	210,016	1,255,783	188,866	112,570	183,057	-	-	405,457
1.1 Debt instruments								
1.2 Loans and receivables	209,694	1,253,519	188,866	103,662	183,040	-	-	405,249
1.3 Other assets	322	2,264	-	8,908	17			208
2. Liabilities	(1,292,983)	(939,236)	-	(5,129)	(31)	-	-	(619)
2.1 Financial liabilities	(1,277,042)	(932,463)						
2.1 Debt instruments								
2.3 Other liabilities	(15,941)	(6,773)		(5,129)	(31)			(619)
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions								
3.2 Short positions								
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions								
3.4 Short positions								

2 Interest rate risk measurement and management model and other methods

In the light of the above, overall, the company does not use advanced cash management models, as it finds it sufficient to carefully monitor the sources and application of funds, which have short-term lives on average.

Cash management is integrated in the Factoring and General Ledger functions and bank balances are continuously updated using the remote banking services of one of the Group's banks. Accordingly, funding rates are monitored continuously and on a daily basis.

3.2.2 PRICE RISK

QUALITATIVE INFORMATION

1 General information

The company is not exposed to price risk, intended as the possibility of incurring losses in the trading of securities, as it does not trade on the market. Its application of funds relates solely to self-paying or cash loans and receivables held to maturity.

The company does not use derivatives. It does not perform securitisations either.

2 Price risk management

In the light of the above, the company's reduced exposure to price risk does not require the use of any particular instruments other than those for ordinary operations.

QUANTITATIVE INFORMATION

1 Price risk measurement and management model and other methods

In the light of the above, the company's reduced exposure to price risk does not require the use of any particular instruments other than those for ordinary operations.

3.2.3 CURRENCY RISK

QUALITATIVE INFORMATION

1 General information

The portion of the portfolio in foreign currency is greater than in the past. This is a trend due to the company's growing operations in foreign markets.

The overall impact is, however, so limited that currency risk cannot currently be considered material.

2 Currency risk management

With respect to currency risk, operating procedures require foreign currency transactions to be hedged with the same currency and due date.

QUANTITATIVE INFORMATION

1 Assets, liabilities and derivatives by currency

	Currencies						
	US dollar	Polish zloty	Danish krone	British pound	Swedish krona	Swiss franc	Other currencies
1. Financial assets	**311,591**	**89,189**	**18,945**	**7,064**	**289**	**119**	**43**
1.1 Debt instruments	-	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-	-
1.3 Loans and receivables	311,591	89,189	18,945	7,064	289	119	43
1.4 Other financial assets	-	-	-	-	-	-	-
2. Other assets	-	**590**	-	-		-	-
3. Financial liabilities	**311,190**	**89,142**	**18,897**	**7,021**	**266**	**108**	-
3.1 Financial liabilities	311,190	89,142	18,897	7,021	266	108	-
3.2 Debt instruments	-	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-	-
4. Other liabilities		**127**		-	-	-	-
5. Derivatives	-	-	-	-	-	-	-
5.1 Long positions	-	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-	-
Total assets	**311,591**	**89,779**	**18,945**	**7,064**	**289**	**119**	**43**
Total liabilities	**311,190**	**89,269**	**18,897**	**7,021**	**266**	**108**	-
Unbalance (+/-)	**401**	**510**	**48**	**43**	**23**	**11**	**43**

2 Currency risk measurement and management model and other methods

With respect to currency risk, operating procedures require foreign currency transactions to be hedged with the same currency and due date.

3.3 OPERATIONAL RISKS

QUALITATIVE INFORMATION

1 General information, operational risk management processes and measurement methods

Within the scope of business risks, operational risks consist of an extremely broad range, and they are often considered residually after credit and market risks.

In the light of the indications issued in the New Basel Accord (and implemented by the "Supervisory instructions for financial intermediaries included in the Special List – circular no. 216 of 5 August 1996 and subsequent updates"), the concept of operational risk relates to the following causal categories:

- human resource: events due to error, fraud, violations of rules and internal procedures and, in general issues relating to the incompetence or negligence of personnel;
- systems: this category consists of everything relating to the technological systems in use. Accordingly, it encompasses IT system issues, programming errors and interruptions in the network and telecommunications infrastructure.

- processes: these are factors connected to the general credit process, such as violations of IT security due to insufficient controls, transaction registration and accounting errors and errors in the measurement models;
- external factors: these are generally everything that slips past controls, such as changes in the general legislative context (with adverse effects on the company's profitability), criminal acts of any kind (theft, arson, etc.). This category could also include reputational risk, i.e., potential losses due to poor conduct with counterparties in general. However, the company treats that separately, in line with the New Basel Accord.

The logical scheme described above has been shared with the parent as part of the "Operational risk management policy" of UBI Banca, with significant effects on the risk management and measurement system.

1 Operational risk management policies

Operational risk management begins with the consideration that risks related, in particular, to human resources, systems and processes, can be minimised by introducing clear and well-defined management procedures when responsibilities are assigned and with the appropriate internal control policies.

Accordingly, company processes are documented in internal procedures that provide for specific level 1 controls to ensure that the activities provided for are actually carried out. Any irregularities that arise are investigated through a level 2 control system, in order to assess the content of each irregularity in terms of operational risk (with or without an impact on profit or loss).

As the efficiency and effectiveness of processes is believed to be key to ensuring the company's ability to continue as a going concern, a series of level 3 controls are also performed to identify any steps to be taken on the individual stages of operating activities.

With respect to operational risk arising from external circumstances, the company takes specific precautions (insurance policies and advisory services from third parties) with the aim of minimising any events that, by their very nature, cannot be directly controlled.

a. Organisational aspects

In accordance with the above guidelines, operational risks are managed on the basis of the parent UBI Banca's "Operational risk management policy".

Steps taken to control operational risk are discussed with the parent as part of the "Progressive Roll-out Plan" which provides for (following the approval of UBI Banca's management and supervisory boards – of 6 and 7 March 2012, respectively, and the resolution of UBI Factor's Board of Directors on 27 July 2012) UBI Factor's inclusion in the activities for the adoption of the advanced measurement approach before 31 December 2014 for operational risk (as per the resolution of the Board of Directors in 2008, UBI Factor currently applies the standardised method).

At organisational level, the following roles have been provided for:

- Operational Risk Manager (ORM), responsible, within their legal entity, for preparing the group operating risk management policy with respect to operational risk management aspects, reporting to the parent's General Manager and participating, when invited, in the parent's Operational Risk Committee meetings. This position is filled by UBI Factor's General Manager.
- Local Operational Risk Support (LORS), mainly supporting the Operational Risk Manager in the creation and coordination of the operational risk management system in accordance with group policy. At UBI Factor, this position is filled by the Risk Control Manager.
- Risk Champions (RCs), reporting directly to the Operational Risk Owners (OROs) through Local Operational Risk Support (LORS) and overseeing, from an operational standpoint, that the operational risk management process - in relation to their business area - is performed correctly. They are also responsible for coordinating and supporting the corresponding Risk Owners. At UBI Factor, this position is filled by the heads of the functions who report directly to general management.
- Risk Owners (ROs), who are responsible for recognising and reporting any loss events (loss data collection, "LDC") and/or potential loss events (risk assessment, "RSA") that arise. They report to a Risk Champion. At UBI Factor, these duties are performed by those who, as they operate within the scope of the organisational units relating to the above Risk Champions, can recognise actual and/or potential loss events attributable to operational risk factors in the scope of their day-to-day activities.
- Accountants, responsible for ensuring the correct and complete recognition of operating losses. At UBI Factor, two employees have been given these responsibilities (one at the Milan office and one at the operating unit in Pordenone)
- Insurance Function, assigned to specific figures identified within the scope of the structures responsible for claims management necessitating insurance coverage. These structures are also responsible for the correct and complete surveying of insurance compensation and all supporting information. At UBI Factor, an employee at the Milan office has been assigned the role of the insurance function.

The Risk Control Unit performs the level 2 controls (risk control).
However, considering the importance of the operational risk management process, the entire company structure is involved in continuous monitoring activities, and not just necessarily when performing a specific level 1 control.

b. Risk management, measurement and control

Risk classification

Operational risk events are classified in accordance with the “UBI Banca Group’s operational risk management policy” approved by the parent and in line with the New Basel Accord.

Measurement system

As provided for by the “Operational risk management policy”, the detection of operating losses and consequent measurement are performed on the basis of two macro activities: loss data collection and risk assessment.
As part of loss data collection, risk owners survey any operating losses in the specific application made available to UBI Factor (and other group companies) on UBI Banca’s portal. The information flow is digitally transmitted to the respective risk champion for validation. The accountant, authorised to access the procedure, electronically validates the accounting data input in relation to the loss.
The Local Operational Risk Support Unit performs periodic controls to validate the reports.
The purpose of calculating actual losses is, inter alia, for the parent’s subsequent reporting to ABI as part of ABI’s “DIPO” project.
The purpose of risk assessment activities is to estimate the company’s potential operating losses. The company began performing these activities in 2007, with an initial risk mapping stage, mainly by analysing internal rules and external regulations, historical losses and general market losses and by interviewing business unit experts throughout the entire process. The second stage of self risk assessment involved the experts’ assessment of the level of operational risk exposure of the analysed activities, through a combination of evaluations of the probability of potential events actually occurring, the potential cost for the company is they were to occur and the perceived effectiveness of controls in place at the time.
The analysis was also conducted for 2013 and the company will soon discuss the results with the parent.

QUANTITATIVE INFORMATION

In 2013, loss data collection activities showed operating losses of €1,158 thousand (2.75% of net trading income).

The amount includes approximately €1,038 thousand relating to the dispute with INPS, while the difference relates to settlement agreements with employees already under negotiation in 2012, which ended in 2013.

3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

1 General information, liquidity risk management processes and measurement methods

In general, this risk can arise from the company's inability to gather funds or its ability to gather them but at higher-than-market costs (funding liquidity risk), or from limits to the sale of assets ("market liquidity risk"), leading to losses.

2 Liquidity risk management

In general, this risk is limited for the company as its funding is almost totally concentrated with UBI Banca Group banks, as it shares their funding policy based on the characteristics of loans.

Despite the Group's substantially sound situation, conditions on the general financial market are unfavourable, leading the parent to significantly contain the resources allocated to group companies (including UBI Factor) with a drop in loans.

However, discounts without recourse (IFRS-compliant) generate medium liquidity risk associated with the correct estimate of the stress time agreed by the parties. This is the term after which, in the event of non-collection or late collection, the company could suffer loss of revenue.

QUANTITATIVE INFORMATION

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

Currency: Euro + all other currencies, total

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	210,016	142,539	127,888	359,083	624,994	188,866	112,570	183,057	-	-	406,735
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	209,694	142,539	127,888	357,328	624,485	188,866	103,662	183,040			406,527
A.4 Other assets	322			1,755	509		8,908	17			208
Liabilities	(1,292,983)	(350,000)	-	(542,846)	(46,390)	-	(5,129)	(31)	-	-	(619)
B.1 Financial liabilities due to:	(1,277,042)	(350,000)	-	(542,463)	(40,000)	-	-	-	-	-	-
- Banks	(1,268,861)	(350,000)		(542,463)	(40,000)						
- Financial institutions											
- Customers	(8,181)										
B.2 Debt instruments											
B.3 Other liabilities	(15,941)			(383)	(6,390)		(5,129)	(31)			(619)
Off-statement of financial position	184,972	-	-	-	-	-	-	18	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	174,508	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions	174,508										
C.5 Financial guarantees given	10,464							18			
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	147,981	85,180	107,382	232,832	525,663	173,107	96,200	183,019	-	-	380,286
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	147,659	85,180	107,382	231,077	525,154	173,107	87,351	183,019			380,078
A.4 Other assets	322			1,755	509		8,850				208
Liabilities	(1,278,824)	(350,000)	-	(130,367)	(46,390)	-	(5,129)	(31)	-	-	(619)
B.1 Financial liabilities due to:	(1,263,972)	(350,000)	-	(130,000)	(40,000)	-	-	-	-	-	-
- Banks	(1,255,900)	(350,000)		(130,000)	(40,000)						
- Financial institutions											
- Customers	(8,073)										
B.2 Debt instruments											
B.3 Other liabilities	(14,852)			(367)	(6,390)		(5,129)	(31)			(619)
Off-statement of financial position	175,103	-	-	-	-	-	-	18	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	174,508	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions	174,508										
C.5 Financial guarantees given	595							18			
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency: USD

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	55,491	54,304	18,080	109,224	59,721	1,384	-	-	-	-	11,904
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	55,491	54,304	18,080	109,224	59,721	1,384					11,904
A.4 Other assets											
Liabilities	(71)	-	-	(311,119)	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	(1)	-	-	(311,119)	-	-	-	-	-	-	-
- Banks	(1)			(311,119)							
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities	(70)										
Off-statement of financial position	-	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency:PLN

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	725	3,053	2,303	13,700	32,801	12,964	11,911	37	-	-	11,231
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	725	3,053	2,303	13,700	32,801	12,964	11,853	21			11,231
A.4 Other assets							58	17			
Liabilities	(11,635)	-	-	(77,522)	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	(11,635)	-	-	(77,507)	-	-	-	-	-	-	-
- Banks	(11,635)			(77,507)							
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities				(16)							
Off-statement of financial position	9,869	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given	9,869										
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency: DKK

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	100	-	124	3,116	6,710	1,410	4,061	-	-	-	3,313
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	100		124	3,116	6,710	1,410	4,061				3,313
A.4 Other assets											
Liabilities	(1,060)	-	-	(17,837)	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	(1,060)	-	-	(17,837)	-	-	-	-	-	-	-
- Banks	(1,060)			(17,837)							
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities											
Off-statement of financial position	-	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency: GBP

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	5,556	2	-	-	22	0	396	-	-	-	2
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	5,556	2			22	0	396				2
A.4 Other assets	-										
Liabilities	(1,019)	-	-	(6,000)	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	-	-	-	(6,000)	-	-	-	-	-	-	-
- Banks				(6,000)							
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities	(1,019)										
Off-statement of financial position	-	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency: CHF

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	119	-	-	-	-	-	-	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	119										
A.4 Other assets											
Liabilities	(108)	-	-	-	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	(108)	-	-	-	-	-	-	-	-	-	-
- Banks											
- Financial institutions											
- Customers	(108)										
B.2 Debt instruments											
B.3 Other liabilities											
Off-statement of financial position	-	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currently: SEK

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	0	-	-	211	76	-	-	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	0	-	-	211	76	-					
A.4 Other assets											
Liabilities	(266)	-	-	-	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	(266)	-	-	-	-	-	-	-	-	-	-
- Banks	(266)										
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities											
Off-statement of financial position	-	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Currency: Other currencies

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Undetermined
Assets	43	-	-	-	-	-	-	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	43			-							
A.4 Other assets											
Liabilities	-	-	-	-	-	-	-	-	-	-	-
B.1 Financial liabilities due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks											
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities											
Off-statement of financial position	-	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.2 Financial derivatives without											
exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials											
- Negative differentials											
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.4 Firm commitments to											
provide funds	-	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions											
C.5 Financial guarantees given											
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

The company has calculated liquidity risk of approximately €40 thousand on amounts in the definitive discounting (IFRS-compliant) portfolio overdue by more than the estimated stress time. This risk relates to situations in which the cost of funding is not covered by the return on lending.

Section 4 Equity information

4.1 Equity

4.1.1 Qualitative information

The company's equity is composed of the fully paid-up share capital, share premium, income-related reserves (in accordance with the pay-out instructions of the parent, the company's sole shareholder), negative goodwill, reserves arising from gains on the sale of business units and FTA reserves. There are no valuation reserves, except for the reserve for the actuarial gain/loss on post-employment benefits. The company holds no treasury shares and no equity instruments.

4.1.2 Quantitative information

4.1.2.1 Equity: analysis

	Amount at 31.12.2013	Amount at 31.12.2012
1. Share capital	36,116	36,116
2. Share premium	2,066	2,066
3. Reserves	89,890	88,824
- income-related	81,675	80,609
a) legal reserve	7,223	7,223
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	74,452	73,386
- other	8,215	8,215
4. (Treasury shares)		
5. Valuation reserves	(359)	(325)
- Available-for-sale financial assets	-	-
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Exchange rate gains (losses)	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Special revaluation laws	-	-
- Net actuarial losses on defined benefit plans	(359)	(325)
- Portion of valuation reserves of equity-accounted investees	-	-
6. Equity instruments		
7. Profit for the year	7,342	3,341
Total	**135,055**	**130,022**

4.2 Regulatory capital and ratios

4.2.1 Regulatory capital

4.2.1.1 Qualitative information

Regulatory capital is calculated using assets, liabilities and profit or loss determined in accordance with IFRS, on the basis of the “Supervisory instructions for financial intermediaries included in the Special List – circular no. 216 of 5 August 1996 and subsequent updates”, as well as the “Instructions for the preparation of financial statements of financial intermediaries included in the Special List – December 2012”, both issued by Banca d’Italia.

Regulatory capital is calculated as the algebraic sum of a series of positive and negative elements, which are admitted to the calculation - with or without limits - depending on their capital quality.

In order to be used, assets, less any tax expense, must be free of restrictions or delays to cover risks and company losses when such risks or losses arise.

UBI Factor's regulatory capital includes Tier 1 and Tier 2 (there are no deductions such as prudential filters, which would be calculated as increases and/or decreases depending on their nature).[2]

Specifically, UBI Factor's:

- Tier 1 capital includes paid-up share capital (caption 120 of the statement of financial position), reserves (captions 150 and 160 of the statement of financial position), profit for the year, net of any amount potentially allocable as dividends and other pay-outs (caption 180 of the statement of financial position). Intangible assets (caption 110 of the statement of financial position) are then deducted from the sum of these items.

  The algebraic sum of the positive and negative elements of Tier 1 capital constitutes "Tier 1 capital before the elements to be deducted", which, summed with the "elements to be deducted from Tier 1 capital" (50% of equity investments of over 10% in banks and financial companies), determines "Total Tier 1 capital".
- Tier 2 capital includes the valuation reserves generated upon first-time adoption of IFRS, with specific reference to the effects on post-employment benefits (caption 170 of the statement of financial position).

  As UBI Factor does not have any prudential filters, this amount constitutes "Tier 2 capital before the elements to be deducted", which, less the "elements to be deducted from Tier 2 capital" (50% of equity investments of over 10% in banks and financial companies), determines "Total Tier 2 capital".
- Regulatory capital is the algebraic sum of Tier 1 and Tier 2 capital, as UBI Factor has no additional elements to deduct or any other amounts that would constitute Tier 3 capital.

[2] Prudential filters are adjustments to equity captions in order to safeguard the quality of reporting capital and reduce potential volatility caused by the application of IFRS.

4.2.1.2 Quantitative information

	Total at 31.12.2013	Total at 31.12.2012
A. Tier 1 capital before the application of prudential filters	**135,367**	**127,503**
B. Tier 1 prudential filters:	-	-
B.1 Positive IFRS prudential filters (+)		
B.2 Negative IFRS prudential filters (-)		
C. Tier 1 capital before deductions (A+B)	135,367	127,503
D. Elements to be deducted from Tier 1 capital	-	-
E. Total tier 1 captial (C-D)	135,367	127,503
F. Tier 2 capital before the application of prudential filters	(359)	(325)
G. Tier 2 prudential filters:	-	-
G.1 Positive IFRS prudential filters (+)		
G.2 Negative IFRS prudential filters (-)		
H. Tier 2 capital before deductions (F+G)	(359)	(325)
I. Elements to be deducted from Tier 2 capital	-	-
L. Total tier 2 capital (H-I)	(359)	(325)
M. Elements to be deducted from Tier 1 and Tier 2 capital		
N. Required capital (E+L-M)	135,008	127,178
O. Tier 3 capital		
P. Required capital including Tier 3 capital (N+O)	135,008	127,178

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

The regulatory capital requirements issued by Banca d'Italia ("New regulatory capital requirements for banks" – circular no. 263 of December 2006 and subsequent updates and the "Supervisory instructions for financial intermediaries included in the Special List – circular no. 216 of 5 August 1996 and subsequent updates") emphasise the importance of the regulatory capital adequacy evaluation process, requiring, in general, banks and intermediaries to define an internal regulatory capital adequacy assessment process for determining total current and prospective regulatory capital adequacy in order to cover all relevant risks (the "ICAAP process").

The parent, UBI Banca, has, in this respect, established a specific organisation unit called the ICAAP Service within its Risk Management Area, which it has made responsible for activities related to the current and prospective regulatory capital adequacy assessment process.

For UBI Factor, the relevant legislation ("Supervisory instructions for financial intermediaries included in the Special List – circular no. 216 of 5 August 1996 and subsequent updates") does not provide for individual obligations, as the company is part of the UBI Group which is already subject to supervision on a consolidated basis.

UBI Factor’s Risk Management and Anti-Money Laundering Department also internally monitors the composition of regulatory capital and its adequacy in terms of regulatory obligations and the company’s risk propensity (which is agreed with the parent as part of the company mission defined jointly with the parent in the guidelines approved by UBI Factor’s Board of Directors), continuously discussing them with its General Manager and reporting thereon to the Board of Directors each half year. Furthermore, on the basis of instructions received from the parent’s ICAAP Service, it feeds the routine reporting flows with specific respect to regulatory capital requirements in terms of credit and operational risk, as well as for interest rate risk.

UBI Factor’s general management also collaborates with the parent (by participating on the parent’s Steering Committees and holding meetings with UBI Banca’s top management) to evaluate specific measures (on capital or to, for example, mitigate the underlying credit risk) to be taken as a result of transaction that could have a particularly significant impact on capital.

UBI Factor adopts the standardised method of individual reporting capital adequacy for both operational and credit risk.

4.2.2.2 Quantitative information

	Unweighted		Weighted/required	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardised method	2,459,206	2,570,813	1,774,090	1,803,793
2. IRB method				
2.1 Basic				
2.2 Advanced				
3. Securitisation				
B. CAPITAL REQUIREMENTS				
B1 Credit and counterpary risk			106,445	108,228
B.2 Market risk				
1. Standard method				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic method				
2. Standardised method			7,433	7,880
3. Advanced method				
B.4 Other prudential requirements				
B.5 Other calculation elements			(28,470)	(29,027)
B.6 Total prudential requirements			85,409	87,081
C. RISK ASSETS AND CAPITAL RATINGS				
C.1 Risk-weighted assets			1,423,480	1,451,345
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			9.51%	8.79%
C.3 Regulatory capital including Tier 3/Risk-weighted assets (Total capital ratio)			9.48%	8.76%

The figures given above are based on the processing of Tier capital report 5. In particular:

1) A.1.1. Credit risk: the weighted amounts are calculated by applying the weighting rates provided for by Banca d'Italia regulations on the basis of the customer type to the equivalent positions;
2) B.1. Capital requirement: this is calculated at a fixed rate of 6% of the total weighted amounts;
3) B.3.2. Operational risk: this is calculated at a fixed rate of 15% of average total income in the previous three years;
4) B.5 Reduction in capital requirements: this is calculated at a fixed rate of 25% of the above requirements, as the company is part of a consolidating banking group;
5) B.6 Total capital requirements: these are equal to the sum of B.1, B.3.2 and B.5.
6) C.1, C.2 and C.3 Risk-weighted assets: the amount is calculated as the product of total prudential capital requirements (B.6) and the inverse value of the minimum mandatory rate (6%).

Section 5 – Breakdown of comprehensive income

		Gross amount	Income taxes	Net amount
10.	**Profit for the year**	11,913	(4,571)	7,342
	Other comprehensive expense that will not be reclassified subsequently to profit or loss			
20.	**Property and equipment**			
30.	**Intangible assets**			
40.	**Defined benefit plans**	(46)	13	(33)
50.	**Non-current assets held for sale**			
60.	**Portion of valuation reserves of equity-accounted investees**			
	Other comprehensive income that will be reclassified subsequently to profit or loss			
70.	**Hedges of investments in foreign operations:**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
80.	**Exchange rate gains (losses):**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
90.	**Cash flow hedges:**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
100.	**Available-for-sale financial assets:**			
	a) changes in value			
	b) reclassification to profit or loss			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
110.	**Non-current assets held for sale:**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
120.	**Portion of valuation reserves of equity-accounted investees**			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
130.	**Total other comprehensive income (expense)**	(46)	13	(33)
140.	**Comprehensive income (expense) (Caption 10+130)**	**11,867**	**(4,558)**	**7,309**

Section 6: Related party transactions

As required by IAS 24, the following disclosure is provided concerning related party transactions.

6.1 Remuneration of key management personnel

(Euros)

	Total at 31.12.2013	Total at 31.12.2012
Directors	103,243	104,068
Statutory auditors	133,702	126,556
Managers	750,451	293,679

6.2 Loans and guarantees to Directors and Statutory Auditors

As required by IAS 24, the company reports that there are no loans or guarantees to directors or statutory auditors or any other related parties.

6.3 Information on related party transactions

The following table details the effects of transactions with group companies and other related parties on the statement of financial position and income statement:

	ASSETS	LIABILITIES	COSTS	REVENUE
Parent				
UBI Banca	64,478,811	2,182,047,786	(9,213,448)	119,361
Group companies				
Banco di Brescia	5,268	16,248,002	(1,553,219)	12,422
Banca Regionale Europea	357,400	729,700	(4,411,552)	11
Banca Valle Camonica	478,684	126,177	(340,801)	612
UBI International	98,805	25,133	(77,648)	183,535
UBI Banca Private Investment	0	0	(6,572)	0
UBI Leasing	26,382	0	(28)	86,511
UBI Sistemi Servizi	84,657	0	(195,543)	0
Banca Popolare Bergamo	1,294,593	1,481,315	(4,896,551)	247
Banca Popolare Commercio Industria	12,012	1,458,155	(964,046)	52,963
Banca Popolare Ancona	0	5,945	(44,406)	0
Prestitalia	26,227	0	(24)	64,266
UBI Academy	0	3,685	(14,506)	0

The asset and liabilities balances detailed above may be described as follows:

- UBI Banca: overdrafts relating to credit facilities granted to the company, tax assets and liabilities for direct taxes within the scope of the tax consolidation scheme and invoices to be received for guarantee commissions and services provided;
- group companies: positive and negative current account balances, invoices to be received for referral commissions and services provided, receivables and payables for employees seconded in/out;

The effects of the transactions detailed above on profit or loss may be described as follows:

- UBI Banca: interest expense paid on the credit facilities granted to the company, bank charges, guarantee commission expense and the cost of services;
- group companies: current account interest income and expense, bank charges, referral commission expense, expense and revenue for employees seconded in/out, lease expense and the cost of services.

Finally, a guarantee was issued to the parent, UBI Banca, to secure the facility granted by DZ Bank benefiting the Polish branch's activities.

Section 7 – Other information

7.1 - Disclosure of fees for the legally-required audit (*) and other non-audit services pursuant to article 149-duodecies of the Consob Issuers Regulation.

As required by article 149-duodecies of the Consob Issuer Regulation, the following table provides information on fees paid to the independent auditors, KPMG S.p.A., and its network companies for the following services:

1) Audit services, which include:
    - audit of the annual reports to express an opinion thereon;
    - review of the interim reports.
2) Attestation services, which consist of engagements in which the auditor assesses a specific element that has been determined by another party responsible therefor, applying the suitable criteria, in order to conclude as to the reliability of such specific element.
3) Tax advisory services.
4) Other services, which consist of all other engagements.

The audit fees shown in the table, which relate to 2013, are regulated by contract, including any indexing (they exclude out-of-pocket expenses, any supervisory contribution, where applicable, and VAT).

As per explicit instructions, they do not include fees paid to any secondary auditors or members of the respective networks.

Services	Service provider	Client	Fees (Euro)
Legally-required audit (*):	KPMG S.p.A.	UBI Factor S.p.A.	
- 2013 annual report			91,550
- Additional fees for the 2012 annual report			30,000
- Review of half-year reporting package			28,350
Attestation services:			
- UNICO, IRAP, simplified and ordinary 770 tax forms	KPMG S.p.A.	UBI Factor S.p.A.	3,215
- Review of English-language annual report	KPMG S.p.A.	UBI Factor S.p.A.	10,000
- Review of Polish-language annual report (local GAAP)	KPMG Audit S.r.l.	UBI Factor S.p.A.	16,500
Other services:			-
Total			**179,615**

7.2 – Parent highlights

Management and coordination

The company is managed and coordinated by the parent, UBI Banca S.c.p.A. (sole owner).

Name

UNIONE DI BANCHE ITALIANE

Cooperative bank limited by shares

Abbreviated name: UBI BANCA

Parent of the “Gruppo Unione di Banche Italiane”

No. 3111.2 in the Banking Group Roll

Managed and coordinated by UBI BANCA

Member of the Interbank Deposit Insurance Fund and National Deposit Guarantee Fund

Reg. office

Bergamo, Piazza Vittorio Veneto 8 – 24122 Bergamo

Preparation of the consolidated financial statements

Pursuant to Banca d’Italia circular no. 262 of 22 December 2005, UBI Banca S.c.p.A. will prepare the consolidated financial statements as parent of the banking group.

The highlights of UBI Banca’s most recent financial statements pursuant to article 2497-bis.4 of the Italian Civil Code are shown below. They are based on the **financial statements as at and for the year ended 31 December 2012 (amounts in thousands of Euros).**

ASSETS	
Cash and cash equivalents	203,442
Financial assets held for trading	4,766,163
Financial assets at fair value	123,381
Available-for-sale financial assets	11,955,356
Held-to-maturity investments	3,158,013
Loans and receivables with banks	15,830,498
Loans and receivables with customers	22,584,746
Hedging derivatives	1,122,521
Equity investments	10,911,721
Non-current assets	587,216
Tax assets	1,605,830
Non-current assets held for sale and discontinued operations	2,329
Other assets	485,038
Total assets	**73,336,254**
LIABILITIES AND EQUITY	
Due to banks	28,081,434
Due to customers and securities issued	31,302,960
Financial liabilities held for trading	2,553,159
Hedging derivatives	1,307,735
Tax liabilities	230,964
Other liabilities	1,168,383
Post-employment benefits	43,612
Provisions for risks and charges	40,286
Equity	8,384,225
Profit for the year	223,496
Total liabilities and equity	**73,336,254**
INCOME STATEMENT	
Net interest expense	(26,771)
Net fee and commission expense	(12,211)
Dividends	339,096
Total income	547,820
Net financial income	437,472
Operating costs	(241,650)
Pre-tax profit from continuing operations	172,353
Income taxes	51,143
Profit for the year	**223,496**