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

UBI Factor
Gruppo UBI Banca

2014 ANNUAL REPORT

CONTENTS

2014 COMPANY OFFICERS

Board of Directors

CHAIRMAN	Alberto Valdembri
DEPUTY CHAIRMAN	Federico Ghiano
DIRECTORS	
	Piero Fenaroli Valotti
	Giovanni Lupinacci
	Marco Mandelli
	Simona Pezzolo De Rossi
	Gian Cesare Toffetti

Board of statutory auditors

Chairman	Marco Confalonieri
Standing statutory auditors	Giorgio Ferrino
	Paolo Golia

General management

General manager	Attilio Serioli

Independent auditors

KPMG S.p.A.

Calling of the ordinary shareholders' meeting

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 3 March 2015, at 2:00 p.m. on first call** and, if necessary, at the same place and time on 4 March 2015 on second call, to discuss and resolve on the following

agenda

1. Directors' and statutory auditors' reports
2. Approval of the 2014 Annual Report
3. Approval of the increase in the hours and fees for the legally-required audit.

Milan, 12 February 2015

The Chairman

Alberto Valdembri
(signed on the original)

DIRECTORS’ REPORT

Dear shareholders,

We would like to begin our report by noting that in their ordinary meeting of 21 March 2014, the shareholders appointed the members of the Board of directors and the Board of statutory auditors for the three-year period 2014-2016.

* * *

The current context

In 2014, the macro-economic scenario was increasingly affected by several factors, including geo-political ones, which slowed down the economic recovery underway and increased volatility on financial markets:

- the international tensions caused by the crisis in Ukraine;
- the tapering of the US monetary stimulus which began in the first few months of the year and led to its end in November;
- the signs of a slow-down in the Chinese economy;
- the uncertainties caused by the outcome of the European elections in May which, despite the rise of anti-EU parties, confirmed the strength of traditional parties;
- the doubts as to the solidity of a Portuguese bank which arose between June and July;
- the tensions which, in the autumn, accompanied the outcome of a comprehensive assessment of the main banks of the Eurozone;
- the new fears about the future of Greece, including in relation to the early political elections, which arose in the fourth quarter of the year;
- the deterioration of Russia's financial and economic situation following the drop in oil prices, which worsened in October, and the economic sanctions.

The scenario became particularly critical for the Eurozone, which was marked by increasingly weak internal demand with inevitable repercussions on employment, prices and the spending power of households and businesses.

The main issue to be resolved in the short term mainly consists of increasing investments despite the possible difficulties faced by foreign demand and household consumption.

The macro-economic context

In 2014, the world economy expanded modestly and unevenly in the various geographical areas. This growth was mainly seen in Asia's emerging countries and the US. Conversely, Japan entered another recession in spring, while the Eurozone continued its extremely modest dynamic performance also caused by the progressive slow-down suffered by Germany.

Unemployment remains high, especially in Europe. Inflation is still high in some emerging economies and extremely low in the main industrialised countries, particularly the Eurozone, with deflation in some areas. Price trends mainly reflect the general decrease in the price of raw materials, which was particularly significant for the energy.

Despite permanent geopolitical tensions, Brent oil prices, which in June were still close to USD115 per barrel, decreased considerably in the second half of the year, down to USD57 per barrel. This reduction, which was accentuated in the fourth quarter of 2014, continued in January 2015 as well, reaching an all-time low since March 2009.

This significant drop is mainly due to the unexpected increase in supply – related to the considerable increase in US drilling activities – against extremely weak demand.

Eurozone

In the third quarter of the year, GDP in the Eurozone only rose by 0.2% quarter-on-quarter (+0.3% and +0.1% in the first and second quarters, respectively). The increase was supported by a slight recovery in consumption, offset by negative commercial interchanges, due to the reduction in exports. The contribution of investments and inventories was null. Initial figures for the fourth quarter of the year continue to point to modest growth.

The €-coin indicator calculated by the Bank of Italy – which provides an estimate of core trends for European GDP – slowly resumed growth in December, after reaching the all-time low of the year in November, reflecting the favourable signals of demand from companies and the reduction in long-term interest rates.

Industrial output for November increased by 0.2% month-on-month (+0.3% in October), but the trend became negative again (-0.4%) after two consecutive monthly increases.

The unemployment rate stood at 11.5% in November for the fourth year in a row (11.8% at the end of 2013) and continues to reflect the particularly critical situations affecting Greece (25.8% in October), Spain (23.9%), Portugal (13.9%) and Italy (13.4%).

Inflation in the Eurozone has progressively decreased since the beginning of the year and became negative in December (-0.2%, the lowest percentage since October 2009), as a result of the energy component (-6.3%). Conversely, the core index, net of food and energy products, remained substantially stable at 0.7% over the 11-month period (0.9% in December 2013).

The average inflation rate of the year is 0.4% (2013: 1.3%).

The domestic context

With respect to the Eurozone, Italy is suffering from one of the worst performances, as it still finds itself in the throes of the recession that began in the fourth quarter of 2013. During the summer period, GDP dropped by a further 0.1% on the previous quarter (unchanged and down by 0.2% in the first two quarters of the year), with overall consumption offering no contribution and net foreign demand only a modest contribution, which was more than offset by the reduction in fixed investments.

The first figures for the fourth quarter of the year seem to confirm an extremely weak scenario.

In November, the industrial output (seasonally adjusted) decreased by 1.8% – the fifth consecutive drop – with reductions affecting most sectors, such as “Manufacturing of electrical equipment and non-electrical domestic equipment” (-12%), “Electricity supply” (-7.8%) and “Manufacturing of coke and refined petroleum products” (-7.4%). A few sectors recorded an increase, such as the “Electronics” (+6%), “Manufacture of transport equipment” (+4.8%) and “Textile and clothing” (+1.9%) sectors.

The labour market remains negative, with the unemployment rate reaching a new peak of 13.4% in November (12.5% in December 2013) – well above the European average (11.5%), while the 15-24 age bracket face an even more critical situation (43.9%; 41.5% in December 2013).

Furthermore, true total figures continue to be mitigated by government assistance which, between January and December, showed a reduction in the use of government-sponsored lay-off schemes: 1,111.8 million hours were authorised compared to 1,182.4 million in 2013 (-6%). This indicates a decrease in the ordinary component (-30.7%) and exceptional component (-19.6%), only partially offset by the increase in government-sponsored lay-off schemes (+18.4%).

Inflation, measured using the Harmonised Consumer Price Index became negative again in December (-0.1% in Italy and -0.2% in Europe), offsetting the partial recovery noted in October and November after the progressive fall which began in 2012 (0.7% at 2013 year end).

The average inflation rate of the year is only marginally positive and is equal to 0.2% (2013: 1.3%).

In the first eleven months of the year, the trade surplus further improved to €37.1 billion (+€25.8 billion in the same period of 2013), thanks to the significant increase in the trade of non-energy products, with equipment steadily accounting for approximately two-thirds of this amount, more than offsetting the energy deficit (-€40.1 billion). Furthermore, the balance is still accompanied by substantially weak trade – specifically with respect to non-EU countries – with exports for the 11-month period up 1.6% year-on-year and imports down 1.7%.

The factoring market

In 2014, the domestic factoring market increased compared to the previous year, up by 2.71% in terms of turnover and 0.85% in terms of advances and fees paid (loans). The sample considers all Assifact (factoring trade association) members, including counterparties which carry out atypical activities that cannot be compared with that of UBI Factor. The main Italian bank-based factoring companies recorded a decrease with respect to both turnover (-1.13%) and advances and fees paid (-0.45%)

The company's performance

UBI Factor has seen turnover increase. In particular, turnover totalled €7.67 billion at year end 2014, compared to €7.60 billion at the end of the previous year (+1%).
Advances and fees paid (loans) amount to €2.05 billion at year end 2014, down 12.4% on €2.34 billion at the end of 2013.
Average loans in the core business of €1.91 billion rose 4.2% (€1.44 billion at December 2014, compared to €1.38 billion at December 2013). Conversely, the company intentionally reduced non-core loans to the public administration throughout the year (€188 million in 2014 compared to €266 million in 2013, down 29.2%). In 2014, collections totalled €80 million. This intentional decrease is mainly due to the payments made by the Lazio region in respect of old transactions.

As for the company's competitive position, in 2014, it ranked sixth in terms of turnover (which, as previously noted, amounts to €7.67 billion), with a market share of 4.35%, and fifth in terms of outstanding loans (of €2.5 billion), with a market share of 4.48%. Furthermore, it ranks fifth in terms of advances with recourse and loans and receivables without recourse (loans shown above, amounting to €2.1 billion), with a market share of 4.47% (source: Assifact).

In 2014, UBI Factor continued to strategically 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 benefits in terms of shared profitability (fees paid to the network banks for business referrals of €9.3 million).

This commercial strategy has also ensured effective credit risk management.

Following the adoption of this increasingly synergy-based approach, turnover volumes with network banks rose by €395 million on 2013 (+10.3%), up from €3.84 billion to €4.24 billion, and accounting for 55.2% of total turnover (50.6% in 2013). The increase in terms of loans, up from €635 million to €798 million in 2014 – is evenly more pronounced, showing an increase of €163 million (+25.7%).

In 2014, UBI Factor directly generated turnover of €1.48 billion with UBI Banca Group's captive customers, accounting for over 19.3% of the total.

Overall, operating volumes and profitability generated with UBI Banca Group's captive customers are considerably higher than the above amounts and also account for most of the company's volumes and profitability.

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 €5,72 billion (against a total of €7.67 billion with an impact of 74.5% on total turnover). Captive average loans amount to €1.12 billion out of a total core business of €1.44 billion (with an impact of 77.6% on total core business and fees paid).

Furthermore, the high quality of captive customers' loans and receivables should be noted, together with the considerably modest cost of credit on such loans in the year.

In the near future, the company will continue to increase 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.

Given the above and considering UBI Factor's mission as the UBI Group's "product factory", the development of the Group's new captive counterparties, mainly in the mid or core corporate segments, plays an important role.

There is a significant upward trend in the number of Active customers – mainly Group's customers – i.e., those that factored loans and receivables during the year, with outstanding amounts and active credit lines at 31 December 2014 – which number 1,576 compared to 1,361, in 2013. This figure also includes contractual debtors, i.e., those that have signed a contract to extend the due date or for confirming services.
Receivables factored in 2014 – including non-contractual debtors - total 2,728.

During the year, 29 arrangements with counterparties were revoked, while 244 positions were opened with new customers.

Consequently, the number of customers rose by over 15%.

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.

Total company turnover in 2014 consists of:
- domestic turnover of 50.4%;
- international turnover of 49.6%.

The increase in the international turnover can also be seen in the comparison with the prior year, when it accounted for approximately 46% of total turnover.

International factoring transactions have grown both directly (81%) and through foreign factoring correspondents (19%), as part of the Factors Chain International - FCI (the global network of leading factoring companies).

Captive customers account for 49.1% of international factoring customers, being those shared with the Group's network banks.

UBI Factor is currently restructuring its import factoring operations with respect to both the limit to factored receivables and by focusing its activities on the main operators with which it already cooperates, ensuring quality relationships. This approach generates not only guarantee commissions but interest income on the counterparty's financing.

With respect to export factoring, the company is focused on obtaining targeted growth, assessing possible partnerships with operators in the sector in interesting countries and, above all, by actively collaborating with the Group’s network banks, identifying those customers that export abroad and offering them a win-win offer.

Also in 2014, the company pursued a strategy to maintain short-term loans in order to promote, on one side, better profitability and, on the other, to mitigate credit risk. Net of non-core loans to the public administration, the turnover rate is equal to 5.3, substantially in line with that of 2013 (5.5). In other words, core loans and receivables have an average term of 69 days.

Total income amounts to €37.4 million, down 11.2% on 2013 mainly because of net interest income which stood at €31.7 million, down 5.7% on 2013, and following the widespread decline in bank spreads, and the significant decrease, well above forecasts, in non-core performing loans given the release of significant payments related to old transactions with the public administration, described earlier.

Fee and commission income decreased to €16.9 million, down 17.8% on 2013, and is mainly affected by the increased competition in the factoring sector (as well as banks in general) compared to the previous year.
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 €11.2 million, down 7.4% on 2013.
In the light of the above, net fee and commission income totals €5.7 million, down 32.7% on 2013.

The trend in net fee and commission income was significantly affected by commission expense paid to the UBI Group network banks in exchange for business referrals. These fees and commissions amount to €9.3 million, demonstrating the central importance of activities performed in synergy with these network banks as a result of the partnership agreement in place between the company and them. Fee and commission expense paid to the parent for guarantees received to support regulatory capital requirements amounts to €0.6 million in 2014. Furthermore, €1.1 million was paid to large debtors under agreements and third parties that also provide business referrals.

As mentioned earlier, 2014 saw an intentional decrease in the portfolio of receivable to the public administration, a business that is being discontinued.

A few exceptions to this strategy of discontinuing the public administration business have been made with rather small amounts involved from captive counterparties of the Group’s network banks with receivables due from the public administration that pay on time.
These conditions will enable the company to identify specific opportunities in the future.

The collection process for non-core loans to the public administration - mainly related to the Lazio health care portfolio - is mostly carried out in connection with the legal assessment of the amount of the factored receivable, with the consequent order for the public administration to pay the factored receivable. Lengthy periods for court and legal proceedings in the sector, which do not always lead to unambiguous decisions in the cases considered affect the judicial process of this assessment.

However, during the year, the situation with the public administration saw a positive development, which had begun in the second half of 2013, as a result of both Law decree no. 35/2013 of 8 April 2013, introducing 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 health care units in the regions that signed the health care sector deficit restructuring plans unconstitutional.

Additional benefits are expected in the future, in part due to the publication of the Decree of the Acting Commissioner of the Lazio region no. U00225 of 8 July 2014, “Reducing prior litigation with the regional health care authorities and preventing new disputes: operating guidelines”, which set up a task force within the Commissioner’s Office to reduce, where possible, and, in any case, reorganise, the extraordinary emergency situation of litigation with the health care authorities of the Lazio region, and to avoid, as far as possible, new disputes.

Due to the above ruling, payments by the local health care 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 legally assessed as collectable.

In 2014, cash flows from factored receivables from local health care units continued: collections totalled €80 million, including €53 million related to the health care units of the Lazio region, generating a significant reduction in the portfolio of past due debts.

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, in the first half of the year, the company applied these regulations to the portfolio of receivables from the public administration that it has acquired as the halt *ex lege* to executive actions against the local health care units of the regions under the Commissioner ceased to exist.

In the light of the above, amounts past due by more than 90 days, mainly related to the Lazio region health care sector, rose to €60 million from €50 million at 31 December 2013.

With respect to residual loans and receivables for which the debtor has defaulted, net impaired non-performing assets decreased to €222 million from €226 million at 31 December 2013 and make up 11.01% of the portfolio (9.90% in 2013) with coverage of 15.15% (13.36% at 31 December 2013). The coverage rate for amounts due from non-public administration debtors that had defaulted is 79.95%.

Doubtful loans and receivables decreased to €1.6 million (31 December 2013: €3.6 million) and make up 0.08% of the portfolio (0.16% in 2013), with coverage of 38.47% (11.88% at 31 December 2013).

The cost of credit led to net impairment losses on financial assets of €5.3 million, making up 0.26% of the total caption 60 - Loans and receivables recognised in the statement of financial position (assets side) compared to €11.9 million (0.51%) at 31 December 2013.

Total impairment losses on loans and receivables amount to €51 million, including €42 million for defaults and €9 million for performing loans and receivables (collective impairment losses) – compared to €46 million at 31 December 2013.

The total coverage of loans and receivables rose from 1.97% at 31 December 2013 to 2.47% at 31 December 2014.

The company has a legal risk in the Lazio health care segment generating a contingent liability of €60 million and relating to legal proceedings pending against the Rome H local health care 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 health care unit, which the latter paid to UBI Factor following an injunction order that was subsequently appealed.
Reference should be made to the notes to the financial statements for additional details.

With respect to operating expenses, administrative expenses came to €20.8 million, compared to €19.2 million in 2013 (+8.4%), while personnel expense amounted to €10.8 million, compared to €10.5 million in 2013 (+3.0%). Other administrative expenses, totalling €10.0 million, increased €1.3 million on 2013 (+14.9%), following the centralisation of UBI Factor’s risk management, compliance and anti-money laundering, administration and budgeting, planning, and management control with the relevant areas of the parent, UBI Banca, reporting to the Chief Risk Officer, Chief Financial Officer and the Compliance Manager, and the related replacement of the information system. The measures applied during the year are described in detail later on.

The cost/income ratio, which is equal to administrative expenses plus depreciation/amortisation and net impairment losses on property and equipment and intangible assets divided by total income plus net other operating income, came to 52.81%, worsening by 7.27% on the 45.54% of the previous year due to the joint effect of the reduction in total income and the increase in administrative expenses.

The tax charge was calculated using ruling tax rates. The total tax rate is 33.2% (38.4% at 31 December 2013).

The financial statements as at and for the year ended 31 December 2014, prepared in accordance with IFRS, show a profit for the year of €8.2 million, net of income tax of €4.1 million. This is an 11.3% increase on the profit of €7.3 million for 2013.

ROE came to 6.06%, up on 2013 (5.75%).

With respect to UBI Factor's direct presence abroad, the Polish branch's operations showed growth in 2014: turnover amounts to €470 million, compared to €438 million in 2013 (up 7%); similarly, average loans rose to €103 million from €90.0 million in 2013, up 14.0%.
The Polish branch posted a gross operating profit of €2.2 million (€2.1 million in 2013) and total income of approximately €2.6 million (€2.4 million in 2013).

Starting from 2012, the Polish branch's financial statements, prepared in local GAAP, have been audited, as the audit became mandatory after the branch adopted a new accounting method for the tax treatment of exchange rate gains and losses, which entailed the 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 Bank of Italy/Consob/ISVAP document no. 2 of 6 February 2009, the Bank of Italy, 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 residual activities for the implementation of the organisational, governance and procedural measures identified as part of the inspections carried out by the Bank of Italy on UBI Factor during the period November 2012 and February 2013 are being completed.

As required by article 6.2 of the Bank of Italy 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**: the following developments are expected for 2015:
   - ✓ increase in volumes through the commercial initiatives set out in the 2015 Budget;

- ✓ continuing the positive reduction in loans to the Lazio health care segment.

d) **<u>Related party transactions</u>**: 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 benefited 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, pursuant to article 2391 of the Italian Civil Code and the Regulations for the discipline of UBI Group related-party transactions.

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, governed by specific service agreements, are charged on the basis of master agreements for the provision of technical and administrative services. They refer to the following activities described in the "General service catalogue":

- administration and management accounts;
- strategic planning, capital management and studies;
- audit;
- human resources;
- cost optimisation;
- risk control and rating;
- risks of money laundering and terrorism financing;
- compliance;
- ALM management;
- training;
- administrative and support services;
- purchases;
- information and communication technology;
- security and business continuity.

As mentioned earlier, during the year, UBI Factor's risk management, anti-money laundering, compliance, administration and budgeting, planning and control activities were centralised with the relevant areas of the parent, UBI Banca, reporting to the Chief Risk Officer, Chief Financial Officer and the Compliance Manager.

Furthermore, the centralisation of all ICT aspects and the purchase cycle with the Group's consortium company, UBI Sistemi e Servizi, was completed.
In line with that already implemented by the UBI Group, as of 1 January 2015, also UBI Factor avails itself of UBI Sistemi e Servizi's full service. With respect to the technological and application centralisation process, UBI Factor sold its IT assets to UBI Sistemi e Servizi. Following the outsourcing of Information & Communication Technology activities, the integration of the related master agreement is under way.

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 business referrals.

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) **Significant events after the reporting date**: 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) **Derivatives**: the company has no derivatives at the reporting date. Accordingly, there is no fair value disclosure to provide.

g) **Other information**: during the year, the company met its reporting obligations to the Bank of Italy 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).

With respect to data protection, the company updated the "Data Protection Document" in August 2014. 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.

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.

With respect to the transparency of bank and financial services, the company complies with the law and Bank of Italy 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 115bis of the Consolidated finance act.

During the year, the parent, UBI Banca, updated the list of the persons with permanent access to privileged information, governed by Group's regulation governing the management and disclosure of privileged information.

The company has continued to centralise its activities with respect to the anti-money laundering and counter-terrorism legislation (Legislative decree no. 231/2007) with the Chief Risk Officer of the parent UBI Banca, as of 26 May 2014.
The company continued to consolidate its operating practices in compliance with company and group regulations, and together with the parent's relevant areas reporting to the Chief Risk Officer with whom the relevant controls were centralised.

In terms of the legislation concerning the liability of entities for administrative offences deriving from crimes (Legislative decree no. 231/2001), the Board of Directors appointed by the shareholders in their ordinary meeting of 21 March 2014, appointed, in its meeting held on the same date, the new members of the supervisory body, confirming the Board of Statutory Auditors as the supervisory body, in accordance with the Document describing UBI Factor's organisational, management and control model pursuant to Legislative decree no. 231/2001.

During the year, activities continued 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. Performance and related control activities have been assigned to UBI Sistemi e Servizi.

The conversion weekend was on 28 and 29 June 2014, with the migration of company data from the SIFAC application platform to the new K4F Keystone For Finance – Factoring 2.1 platform.
The procedure was completed as scheduled, successfully passing the technical checks.
As of 1 July 2014, the company resumed full operations using the new application.
The scheduled activities for the follow-up period – between the migration date and the launch of the application management, governed by a specific service agreement – went smoothly. Residual application irregularities were regularly and closely monitored for prompt resolution.

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 customers relating to 2011 and subsequent years.
Following the 2011 notice, the information for 2012 was sent in March 2014, in accordance with the established deadlines.

As mentioned earlier, starting from 26 May 2014, UBI Factor's risk management, anti-money laundering, compliance, administration and budgeting, planning and control activities were centralised with the relevant areas of the parent, UBI Banca, reporting to the Chief Risk Officer, Chief Financial Officer and the Compliance Manager. Consequently, in cooperation with the parent's Organisation function, UBI Factor's organisational structure was revised and the resources of the affected functions were downsized in accordance with the Group's guidelines and in line with the model currently applied to the network banks.

The organisational revision entailed the following:
- closing the Compliance and Anti-money laundering function;
- maintaining the Claims, General Management support, Compliance, Anti-money laundering and Risk management contact with the Risk Control Service;
- closing the Accounting, Financial Statements and Management Control Service;
- creating a new General Management Support function, which combines legal and corporate activities, General Management support activities and liaisons with the parent with respect to the administrative and financial statements, planning and management control activities centralised with the parent;
- incorporating commercial planning, marketing and reporting activities within the Commercial area;
- combining the activities previously carried out by the Accounting and Reporting function which were not included in the activities centralised with the parent, as they supported directly the business processes or were not consistent with the target operational model into the Operations Service.

Following the above reorganisation, the company updated UBI Factor "Company General Regulation" and "Power system".

Furthermore, following the outsourcing of the Information & Communication Technology activities to UBI Sistemi e Servizi, the company's organisational structure was revised by terminating UBI Factor's ICT service.

Since 2013, several measures were adopted following UBI Group's strategy aimed at further consolidating the parent's oversight and governance mechanisms for product companies. Specifically, in accordance with the new regulatory capital requirements for banks – "Internal control system, information system and business continuity" (circular no. 263 of 2 July 2013 - 15th update), upon the indication of UBI Banca's Management Board and Supervisory Board, UBI Factor applied the group policies governing internal controls, the outsourcing of company functions and non-compliance risk management, and the group risk appetite framework regulations, to manage the compliance process (update) and the risk control and internal audit functions.

With respect to the outsourcing of important operating functions (IOF), the company appointed a contact for outsourced activities (COA).

With respect to the adoption of Advanced Measurement Approaches (AMA) for the calculation of the operational risk capital requirement, it is noted that, as part of recent discussions between the parent and the Regulator, it was recommended that the Group redesign its AMA Roll Out plan, postponing the first reporting target using internal systems for some group companies – including UBI Factor – to the end of 2015, instead of 31 December 2014.

As part of the review and harmonisation process of the regulatory framework aimed at improving the solidity and solvency of bank intermediaries, the European Banking Authority (EBA), implementing Directive 2013/36/EU – CRD IV and (EU) Regulation no. 575/2013 – CRR, prepared specific technical standards, ITS – Implementing Technical Standards, which govern the solvency requirements (COREP), financial data (FINREP) and the definition of bank asset captions.
Specifically, on 21 October 2013, the European Banking Authority published the "EBA Final Draft Implementing Technical Standards" document ("ITS-EBA") governing "non-performing exposure" and "exposure subject to forbearance measures" to:

- reduce the margins of discretion within the accounting and prudent definitions of EU countries;
- facilitate data comparability at EU level.

Specifically, the ITS-EBA technical standards – to be applied starting from supervisory reporting (FINREP) at 31 December 2014 for data at 30 September 2014 – introduce the concept of forborne exposures. This concept is transversal to the current rules applicable to performing loans and receivables and doubtful/impaired loans and receivables, and further defines customers' credit quality, integrating instead of replacing current classifications.
The Bank of Italy is implementing these new regulations by amending circular no. 272, which is currently being discussed by the banking system. The ABI (the Italian Bankers' Association) opinion on this draft consultation paper is included in a position paper asking the Bank of Italy for amendments, still under assessment.
Consequently, for the purposes of correct Finrep reporting, the UBI Group launched a process for the progressive adoption of this new set of regulations, although it is still being developed, while the company is conducting further investigations, also within the scope of the relevant trade association.

Measures continued in 2014 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.
The deadline for filing the application for the benefits provided by the above Agreement has been extended from 30 June 2014 to 31 December 2014 and, more recently, to 31 March 2015.
However, this has a minor impact on 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 136 employees at year end (including 118 full-time employees, 18 of whom on secondment from other group companies and three seconded to other group companies), a decrease of three employees on 31 December 2013.
During the year, three employees left the company and there was a net decrease of nine employees resulting from those moving to and from other group companies, mainly due to the centralisation of second-level control functions (risk management, compliance and anti-money laundering) and

planning, management control, administration and budgeting with the parent UBI Banca, which required eight resources.

We would like to remember Paolo Domenichetti, Human Resources Manager and manager of the General Management Support function who sadly passed away on 20 January 2015. He will be missed greatly.

Breakdown by position:

AGE BRACKET	31.12.2014	*% of total workforce*	*women*	31.12.2013	*% of total workforce*	*women*
1) 21-30	5	3.68%	*3*	8	5.41%	*6*
2) 31-40	29	21.32%	*13*	36	24.32%	*12*
3) 41-50	57	41.91%	*31*	68	45.95%	*38*
4) 51 and over	45	33.09%	*21*	36	24.32%	*15*
Total	**136**	**100.00%**	***68***	**148**	**100.00%**	**71**

Breakdown by service seniority:

SERVICE SENIORITY	31.12.2014	*% of total workforce*	*women*	31.12.2013	*% of total workforce*	*women*
1) UP TO 5	13	9.56%	*7*	24	16.22%	*12*
2) 6-10	23	16.91%	*8*	27	18.24%	*5*
3) 11-20	36	26.47%	*13*	37	25.00%	*13*
4) OVER 21	64	47.06%	*40*	60	40.54%	*41*
Total	**136**	**100.00%**	***68***	**148**	**100.00%**	**71**

Breakdown by position:

POSITION	31.12.2014	*% of total workforce*	*women*	31.12.2013	*% of total workforce*	*women*
1) MANAGERS	8	5.88%	*0*	9	6.08%	*0*
2) THIRD LEVEL - FOURTH LEVEL JUNIOR MANAGERS	33	24.27%	*9*	34	22.97%	*9*
3) FIRST LEVEL - SECOND LEVEL JUNIOR MANAGERS	29	21.32%	*9*	32	21.62%	*11*
4) PROFESSIONALS	66	48.53%	*50*	73	49.32%	*51*
Total	**136**	**100.00%**	***68***	**148**	**100.00%**	**71**

* * *

In coordination 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 interpersonal and management skills. Roughly 212 man-days of classroom training were held, in addition to online courses available to all personnel.

In order to strengthen the harmonisation of HR assessment processes and tools within the Group, the use of a common language and promote 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.

The Group's master agreement for the early redundancy plan, special leaves, part-time jobs and other economic-regulatory measures applicable to employees, was signed on 26 November 2014.
At UBI Factor, one employee participated in the early redundancy scheme and 31 employees opted for part-time schemes (specifically, 423 work days per year, meeting 97% of the requests made by personnel).

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

Allocation of the profit for the year

We propose allocating the profit for 2014, amounting to €8,174,390.93 as follows:

- €2,452,307.93 to other reserves
- €5,722,053.00 to shareholders as dividends, equal to €0.082 for each of the 69,453,500 shares.

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

Chairman of the board of directors
Alberto Valdembri
(signed on the original)

Milan, 10 February 2015

STATUTORY AUDITORS’ REPORT

STATUTORY AUDITORS' REPORT

PURSUANT TO ARTICLE 2429 OF THE ITALIAN CIVIL CODE

****

Dear shareholders,

As UBI Factor S.p.A., pursuant to the provisions of section V of Legislative decree no. 39 of 27 January 2010, is a public interest entity, the board of statutory auditors does not perform the legally-required audit, which is instead performed by KPMG S.p.A..

Furthermore, due to the aforementioned Legislative decree no. 39/2010, the board of statutory auditors also serves as the internal control and audit committee.

In accordance with our responsibilities under article 2429 of the Italian Civil Code, we note the following:

<u>1) Financial statements</u>

The company has prepared the financial statements as at and for the year ended 31 December 2014 in accordance with IFRS, in the format required by the Bank of Italy.

We have monitored the preparation of the financial statements as at and for the year ended 31 December 2014 and the general compliance of their preparation and structure with the law. We have nothing to report in this respect.

We have checked compliance with the law governing the preparation of the directors' report. We have nothing to report in this respect.

To the best of our knowledge, in preparing the financial statements, the directors did not waive any provisions of the law.

We note that:

a) in summary, the financial statements show a profit for the year of €8,174,360.93 and equity of €143,078,347 (including the above profit for the year);

b) we have read the independent auditors' report dated 25 February 2015, prepared pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 and article 165 of Legislative decree no. 58 of 24 February 1998, in which the auditors express that, on the basis of their work, the financial statements are compliant with the rules governing the preparation of financial statements and, accordingly, they have been prepared clearly and give a true and fair view of the company's financial position, results of operations and cash flows.

The independent auditors' report also attests to the consistency of the directors' report with the financial statements;

c) given the fact that the board of directors only approved the draft financial statements as at and for the year ended 31 December 2014 on 10 February 2015, and the fact that the shareholders' meeting to approve the financial statements at 31 December 2014, was scheduled, on first call, for 3 March 2015 and, if necessary, on second call, for the following day, the board of statutory auditors has expressly allowed the waiver of the terms pursuant to article 2429.1 of the Italian Civil Code, acknowledging that the sole shareholder UBI Banca S.c.p.A. has, in turn, waived the terms in its favour as well, as provided for by article 2429.3 of the Italian Civil Code;

d) the financial statements and accompanying directors' report provide a thorough description of the company's financial position, the trends seen in operations in the year and outlook;

e) as noted by the directors and described in their report, the company did not perform any atypical or unusual transactions at the reporting date.

2) Supervisory activities

a) During the year, we have performed the activities required by law, also considering the code of conduct recommended by the Italian Accounting Profession. In particular, we have:

- attended the ordinary shareholders' meeting of 21 March 2014, the meetings of the board of directors and those of the executive committee, acknowledging that the supervisory board pursuant to article 6 of Legislative decree no. 231/2001 is represented by the board of statutory auditors;
- performed routine checks, also with the assistance of the organisational structures that perform the internal control functions, the Internal Audit (which is outsourced to the parent UBI Banca S.c.p.A.), Risk Control (risk management, anti-money laundering and compliance). During the year, these activities were centralised with the competent structures of the parent UBI Banca S.c.p.A.;
- held routine meetings with the independent auditors in order to exchange relevant data and information for the purposes of fulfilling our respective duties and to analyse the independent auditors' findings.
- monitored, as Internal Control and Audit Committee, that the company complied with article 19 of Legislative decree no. 39 of 27 January 2010;
- monitored the company's compliance with legislation concerning anti-money laundering, counter-terrorism, anti-usury, data protection, suspicious transactions, the administrative liability of companies, the obligations of bank/financial company personnel, related party transactions, the interests of the directors and the banking-financial ombudsman;
- monitored that Bank of Italy instructions on the transparency of services and the economic conditions of individual facilities summarised in the "Compilation", had been correctly applied, also in relation to the

proposed unilateral changes to the contractual terms, and monitored the application of Bank of Italy provisions for the specific activity;

- monitored that Bank of Italy’s risk concentration rules are correctly applied;
- monitored, for as far as we are concerned, the status of loans and receivables with the public administration, a business which the company discontinued in 2011, specially focusing on the Lazio region healthcare sector (described exhaustively in the directors’ report and in the notes).

Furthermore:

- we did not receive claims pursuant to article 2408 of the Italian Civil Code;
- we did not express any opinions required by the law.

b) Following these activities, we have also:

- ascertained that the company is compliant with the principles of sound management, the law and the memorandum of incorporation;
- evaluated the adequacy (in terms of the company’s size, configuration and operations) of the organisational structure, for as far as we are concerned, of the internal control system, with specific focus on credit, market, interest rate and operational risk controls, as well as of the IT/accounting system.

  During the year, the company migrated to the new information system.

3) Management and coordination

With respect to article 2497-*bis* of the Italian Civil Code, which requires the disclosure of the company that manages and coordinates UBI Factor S.p.A., a specific section of the notes to the financial statements provides the key financial figures of the most recently approved financial statements of UBI Banca S.c.p.a., the company that manages and coordinates UBI Factor S.p.A.. Furthermore, the directors’ report provide information on transactions with the company that manages and coordinates UBI Factor S.p.A. and the other companies managed and coordinated thereby, as well as the impact of such transactions on the statement of financial position and income statement.

4) Conclusions

Dear shareholders,

As a result of the above, we are in favour of approving the financial statements as at and for the year ended 31 December 2014, accompanied by the directors’ report, and allocating the profit for the year as proposed by the directors.

The legal reserve of €7,223,164 has reached the maximum limit under article 2430 of the Italian Civil Code.

Milan, 25 February 2015.

Board of Statutory Auditors.

Marco Confalonieri

Giorgio Ferrino

Paolo Golia

(signed on the original)

INDEPENDENT AUDITORS' REPORT

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

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 and article 165 of Legislative decree no. 58 of 24 February 1998

To the shareholders of
UBI Factor S.p.A.

1 We have audited the financial statements of UBI Factor S.p.A. as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 11 March 2014 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the financial statements of UBI Factor S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of UBI Factor S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of UBI Factor S.p.A. does not extend to such data.

5 The directors of UBI Factor S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of UBI Factor S.p.A. as at and for the year ended 31 December 2014.

Milan, 25 February 2015

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

<u>2014 ANNUAL REPORT</u>

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

(Bank of Italy – 21 January 2014)

STATEMENT OF FINANCIAL POSITION

(Euros)

ASSETS	31/12/2014	31/12/2013
10. Cash and cash equivalents	6,847	4,477
50. Held-to-maturity investments	9,589,489	9,296,498
60. Loans and receivables	2,054,370,904	2,344,029,233
90. Equity investments	392,836	392,836
100. Property and equipment	161,945	224,415
110. Intangible assets	23,072	47,684
120. Tax assets	14,419,608	14,825,538
a) current	3,108,343	3,986,923
b) deferred	11,311,265	10,838,615
including as per Law no. 214/2011	10,219,986	10,017,760
130. Non-current assets held for sale and discontinued operations	522,849	-
140. Other assets	8,643,521	11,718,568
Total assets	**2,088,131,071**	**2,380,539,249**

LIABILITIES	31/12/2014	31/12/2013
10. Financial liabilities	1,907,189,706	2,209,505,043
70. Tax liabilities	2,417,121	3,627,634
a) current	2,417,121	3,621,287
b) deferred	-	6,347
90. Other liabilities	30,363,634	28,492,598
100. Post-employment benefits	2,562,519	2,385,967
110. Provisions for risks and charges:	2,519,744	1,472,482
b) other provisions	2,519,744	1,472,482
120. Share capital	36,115,820	36,115,820
150. Share premium	2,065,828	2,065,828
160. Reserves	97,232,742	89,890,351
170. Valuation reserves	(510,404)	(358,865)
180. Profit for the year (+/-)	8,174,361	7,342,391
Total liabilities and equity	**2,088,131,071**	**2,380,539,249**

INCOME STATEMENT
(Euros)

	31/12/2014	31/12/2013
10. Interest and similar income	38.646.573	41.488.290
20. Interest and similar expense	(6.943.565)	(7.853.691)
Net interest income	**31.703.008**	**33.634.599**
30. Fee and commission income	16.918.698	20.594.769
40. Fee and commission expense	(11.198.688)	(12.092.914)
Net fee and commission income	**5.720.010**	**8.501.855**
Total income	**37.423.018**	**42.136.454**
100. Net impairment losses on:	(5.286.878)	(11.928.337)
a) financial assets	(5.286.878)	(11.928.337)
110. Administrative expenses:	(20.794.931)	(19.180.988)
a) personnel expense	(10.765.573)	(10.452.315)
b) other administrative expenses	(10.029.358)	(8.728.673)
120. Depreciation and net impairment losses on property and equipment	(74.548)	(141.216)
130. Amortisation and net impairment losses on intangible assets	(84.484)	(527.446)
150. Net accruals to provisions for risks and charges	(1.193.465)	102.607
160. Net other operating income	2.255.971	1.451.846
Operating profit	**12.244.683**	**11.912.920**
Pre-tax profit from continuing operations	**12.244.683**	**11.912.920**
190. Income taxes on continuing operations	(4.070.322)	(4.570.529)
Post-tax profit from continuing operations	**8.174.361**	**7.342.391**
Profit for the year	**8.174.361**	**7.342.391**

STATEMENT OF COMPREHENSIVE INCOME
(Euros)

		2014	2013
10.	Profit for the year	8,174,361	7,342,391
	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	(151,539)	(33,646)
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	(151,539)	(33,646)
140.	Comprehensive income (Caption 10+130)	8,022,822	7,308,745

STATEMENT OF CHANGES IN EQUITY

(Euros)

	Balance 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**

	Equity at 31-12-2013	Restatement of opening balance	Balance at 01-01-2014	Allocation of prior year profit		Changes of the year						2014 comprehensive income	Equity at 31-12-2014
							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:	89,890,352	-	89,890,352	7,342,391	-			-	-	-	-	-	**97,232,743**
a) income-related	81,675,329	-	81,675,329	7,342,391									**89,017,720**
b) other	8,215,023	-	8,215,023										**8,215,023**
Valuation reserves	(358,865)	-	(358,865)									(151,539)	**(510,404)**
Equity instruments	-	-	-										-
Treasury shares	-	-	-										
Profit for the year	7,342,391	-	7,342,391	(7,342,391)	-							8,174,361	**8,174,361**
Equity	**135,055,525**	-	**135,055,525**	-	-			-	-	-	-	**8,022,822**	**143,078,347**

STATEMENT OF CASH FLOWS
(Direct method) - (Euros)

A. OPERATING ACTIVITIES	2014	2013
1. OPERATIONS	**14,334,739**	**17,269,377**
- Interest income collected (+)	38,646,573	41,488,290
- Interest expense paid (-)	(6,943,565)	(7,853,691)
- Dividends and similar income (+)	-	-
- Net fee and commission income (+/-)	5,720,010	8,501,854
- Personnel expense (-)	(10,765,573)	(10,452,315)
- Other costs (-)	(10,029,358)	(8,728,673)
- Other revenue (+)	2,255,971	1,451,846
- Taxes and duties (-)	(4,549,319)	(7,137,934)
- Expense/revenue of disposal groups, net of tax effect (+/-)	-	-
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**264,235,792**	**90,599,057**
- Financial assets held for trading	-	-
- Financial assets at fair value through profit or loss	-	-
- Available-for-sale financial assets	-	-
- Loans and receivables with banks	5,352,999	(3,415,117)
- Loans and receivables with financial institutions	48,623,820	19,153,732
- Loans and receivables with customers	206,305,346	78,613,216
- Other assets	3,953,626	(3,752,774)
3. CASH FLOWS USED BY FINANCIAL LIABILITIES	**(301,769,656)**	**(64,041,934)**
- Due to banks	(298,567,656)	(73,295,170)
- Due to financial institutions	-	-
- Due to customers	(3,747,681)	6,628,134
- Securities issued	-	-
- Financial liabilities held for trading	-	-
- Financial liabilities at fair value through profit or loss	-	-
- Other liabilities	545,681	2,625,102
NET CASH FLOWS GENERATED (USED) BY OPERATING ACTIVITIES	**(23,199,125)**	**43,826,500**

B. INVESTING ACTIVITIES	2014	2013
1. CASH FLOWS GENERATED BY	-	-
- Sales of equity investments	-	-
- 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	**(887,789)**	**(314,719)**
- Acquisitions of equity investments	-	-
- Acquisitions of held-to-maturity investments	(292,991)	(289,265)
- Purchases of property and equipment	(12,078)	(19,218)
- Purchases of intangible assets	(582,720)	(6,236)
- Purchases of business units	-	-
NET CASH FLOWS USED BY INVESTING ACTIVITIES	**(887,789)**	**(314,719)**

C. FINANCING ACTIVITIES	2014	2013
- Issue/repurchase of treasury shares	-	-
- Issue/purchase of equity instruments	-	-
- Distribution of dividends and other allocations	-	(2,275,453)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	**-**	**(2,275,453)**
NET CASH FLOWS OF THE YEAR ***A+B+C***	**(24,086,914)**	**41,236,328**

RECONCILIATION

Opening cash and cash equivalents	57,815,246	16,578,919
Total net cash flows of the year	(24,086,914)	41,236,327
Closing cash and cash equivalents	33,728,332	57,815,246

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.

A list of IFRS at 31 December 2014 is shown in Section A.1.

The financial statements have been prepared using the formats contained in the instructions of the Bank of Italy 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

New K4F management information system

The company's data were migrated from the SIFAC application platform to the new K4F Keystone For Finance – Factoring 2.1. platform at the end of June (conversion weekend 28-30 June 2014).

This is the updated version of the "basic" software which configured a market-standard application purchased in 2010 and recognised under intangible assets, amortised up to 31 December 2012 and ultimately derecognised (to the extent of the residual unamortised portion) in the 2013 financial statements following the decision not to launch the new information system at that date.

The new version includes all new functionalities to manage the core activities typical of the factoring industry (in addition to those included in the basic version) and specific activities, which are not common on the market and are carried out by a few distinctive companies.

Consequently and following the considerable increase (compared to the original expectations from the basic version of the software) in the future expected economic benefits, contract charges of €456 thousand expected to be incurred up to the migration takes place were capitalised.

Transfer of IT assets from UBI Factor S.p.A. to UBI Sistemi e Servizi S.c.p.A.

Near the end of 2014, a purchase and sale agreement was agreed for specific software products and the right to use, under licence, other products, including the new K4F management information system.

The transfer is part of a wider project which began last year to centralise technology and applications. In accordance with the Group's work plan, completion is expected in the first quarter of 2015. Starting from 1 January 2015, also ICT activities (providing technological and application outsourcing, directly or through suppliers), purchasing activities (managing relationships with suppliers) and management control activities (monitoring operating costs/investments) have been fully outsourced to UBI.S.

Under the agreement, the related assets have been reclassified from caption 110 "Intangible assets" to caption 130 "Non-current assets held for sale and discontinued operations".

Tax issues

The main issues of the year are described below.

- **Law decree no. 66 of 24 April 2014**

Law decree no. 66 of 24 April 2014, converted into Law no. 89 of 23 June 2014, increases the tax rate on financial income starting from 1 July 2014.

The tax rate increases from 20% to 26%, except for the 12.50% rate applied to income from government securities and similar securities.

- **Law no. 190 of 29 December 2014 (2015 Stability act)**

Specifically:

- starting from 2015, it allows the deductibility of the personnel expense for employees with open-ended contracts for IRAP purposes (net of the deductions already in place), repealing the reduction of the IRAP rate introduced by Law decree no. 66/2014 which never came into force;

- it increases the substitute tax on returns from pension funds from 11.5% to 20% and provides for a tax credit should the related returns be re-invested in specific financial activities to be identified by the Ministry;

- starting from 2015, it increases the substitute tax on the annual revaluation of post-employment benefits from 11% to 17%;

- it grants employees the possibility of receiving the monthly portion of post-employment benefits in their payslip as part of their remuneration;

- it extends the scope of application of the reverse charge VAT mechanism and requires that the public administration withhold the VAT on the goods and services purchased from suppliers and pay it directly to the tax authorities (split payment);

- it introduces new regulations on self-imposed sanctions to voluntarily correct mistakes even if a tax assessment is already underway.

- **Communications with the tax authorities - database**

Starting from 2011 (Decree law no. 201/2011, converted into Law no. 214/2011), financial intermediaries are required to periodically provide the tax authorities with detailed quantitative information (balances, changes, etc.) about their transactions with customers.

On 4 April 2014, the tax authorities, having already received the required information about 2011 and 2012 in 2013 and 2014 in accordance with specific principles, suspended the obligation to report the information about subsequent years, in view of a further amendment to the information that the intermediaries will be required to obtain and report.

- **Tax authorities’ circular no. 14/E of 4 June 2014**

The tax authorities identified some specific captions of banks’ financial statements, prepared in accordance with the Bank of Italy’s format, to which the new regulation on impairment losses on loans and receivables with customers applies (article 106.3 of the Consolidated income tax act, modified by Law no. 147/2013). Starting from 2013, these impairment losses are fully deductible, save as the allocation, on a straight-line basis, over five tax years instead of the current 18 months.

Deductibility also applies to the IRAP tax compared to the previously established substantial undeductibility. The new tax scheme provides for a clearer picture for the recognition of deferred tax assets for both IRES and IRAP purposes.

The circular integrates circular no. 26/E/2013 which clarified the certainty and determination criteria for the deductibility of impairment losses on loans and receivables set out in article 101 TUIR.

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.

Forbearance

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties[1]").

Forborne exposures exist when both the following conditions are met:

1. concession: there has been a modification of the previous terms and conditions of a contract and/or the total or partial refinancing of debt;
2. financial difficulty: upon concession, the customer is in a state of financial difficulty.

The term "forborne" is not covered by the IFRS which, conversely, provide for two macro-categories of financial instruments (impaired/non impaired). In fact, this term is typical of supervisory reporting as explained by EBA in the "Implementing Technical Standards on supervisory reporting on forbearance and non performing exposures" ("ITS") endorsed by the European Commission on 9 January 2015 through the issue of the EC regulation which, at the date of preparation of this report, was not yet published on the Official journal of the European Union. The aim of this document is to introduce common and harmonised criteria to identify forbearance measures for supervisory reporting purposes and mitigate the discrepancies in the implementation of definition of "default" and "impairment".
The ITS integrate the body of laws on financial reporting (FINREP). The new reporting provisions became applicable on 30 September 2014 and the first reporting took place on 23 January 2015.

The EBA's definition of the term "forborne" does not replace the concepts of "impairment" and "default" which are defined by the IFRS and Basel 3, respectively. Indeed, it integrates them with the aim of harmonising asset quality in the European Union.

The "forborne" status, which is attributable to performing and non-performing exposures, is applicable to both performing and impaired portfolios. Indeed, the following situations are possible:

1. the concession arises for commercial reasons or, in any case, not due to the debtor's financial difficulties: in this case, the exposure remains with the performing portfolio;

[1] ITS EBA definition par. 163.

2. the concession arises from the debtor's financial difficulties, but does not generate losses for the bank: in this case, the exposure remains with the performing portfolio, but may be qualified as "forborne performing";
3. the concession arises from the debtor's financial difficulties and generates losses for the bank or it is in favour of a non-performing exposure when the forbearance measure is applied: in this case, the exposure is classified in the impaired portfolio and qualified as "non-performing forborne".

Specifically, the performing, past due and doubtful portfolios include forborne exposures, while all exposures in the restructured portfolio are forborne.

<u>Identification and measurement of forborne exposures</u>

The EBA's regulations require the definition of objective and subjective criteria to establish the scope of the exposures to be considered as "forborne".

Forborne exposures are mainly identified using objective criteria. Specifically, the first selection considers the loans and receivables subject to specific concessions which, for the UBI Group, currently comprise:

- internal forbearance;
- system forbearance;
- extended repayment;
- restructured loans and receivables;
- rescheduling and renegotiations;
- renewal at the same conditions.

This scope is checked to identify the existence of any financial difficulties underlying the forbearance measure granted. The UBI Group considers the existence of a high rating or an instalment unpaid by at least 30 days from the day the concession was granted as an indicator of possible financial difficulties.

Finally, in-scope loans and receivables are tested on a subjective basis to exclude those positions which received concessions for reasons other than the debtor's financial difficulties from the scope.

For the sake of complete information, it is noted that Bank of Italy circular no. 262/2005 – 3rd update applies to the financial statements at 31 December 2014, whereby loans and receivables are classified in line with the Bank of Italy circular no. 272/2008 ruling on 31 December 2014[2]. The latter circular does not distinguish forborne exposures which, conversely, remain "applicable" to performing, past due, doubtful and restructured loans and receivables, and which are measured in accordance with standard criteria, typical of each category.
Consequently, the classification and measurement criteria applied to the financial statements at 31 December 2013 were also applied to those at 31 December 2014.

[2] The 7th update to Bank of Italy circular no. 272/2008 was published by the Bank of Italy on 20 January 2015. The related provisions apply to financial statements for periods ending at or after 31 December 2014.

IFRS endorsed by the European Commission

IAS/IFRS	STANDARD	ENDORSEMENT
IAS 1	Presentation of Financial Statements	Reg. 1274/08, 53/09, 70/09, 494/09, 243/10, 149/11, 475/12, 1254/12, 1255/12, 301/13
IAS 2	Inventories	Reg. 1126/08, 1255/12
IAS 7	Statement of cash flows	Reg. 1126/08, 1274/08, 70/09, 494/09, 243/10, 1254/12, 1174/13
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Reg. 1126/08, 1274/08, 70/09, 1255/12
IAS 10	Events after the Reporting Period	Reg. 1126/08, 1274/08, 70/09, 1142/09, 1255/12
IAS 11	Construction Contracts	Reg. 1126/08, 1274/08
IAS 12	Income taxes	Reg. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12, 1174/13
IAS 16	Property, Plant and Equipment	Reg. 1126/08, 1274/08, 70/09, 495/09, 1255/12, 301/13
IAS 17	Leases	Reg. 1126/08, 243/10, 1255/12
IAS 18	Revenue	Reg. 1126/08, 69/09, 1254/12, 1255/12
IAS 19	Employee benefits	Reg. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Reg. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 21	The Effects of Changes in Foreign Exchange Rates	Reg. 1126/08, 1274/08, 69/09, 494/09, 149/11, 475/12, 1254/12, 1255/12
IAS 23	Borrowing costs	Reg. 1260/08, 70/09
IAS 24	Related Party Disclosures	Reg. 632/10, 475/12, 1254/12, 1174/13
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Reg. 1126/08
IAS 27	Separate Financial Statements	Reg. 1254/12, 1174/13
IAS 28	Investments in Associates and Joint Ventures	Reg. 1254/12
IAS 29	Financial Reporting in Hyperinflationary Economies	Reg. 1126/08, 1274/08, 70/09
IAS 32	Financial Instruments: Presentation	Reg. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 1293/09, 149/11, 475/12, 1254/12, 1255/12, 1256/12, 301/13, 1174/13
IAS 33	Earnings per Share	Reg. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12
IAS 34	Interim Financial Reporting	Reg. 1126/08, 1274/08, 70/09, 495/09, 149/11, 475/12, 1255/12, 301/13, 1174/13
IAS 36	Impairment of Assets	Reg. 1126/08, 1274/08, 69/09, 70/09, 495/09, 243/10, 1254/12, 1255/12, 1374/13
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Reg. 1126/08, 1274/08, 495/09
IAS 38	Intangible Assets	Reg. 1126/08, 1274/08, 70/09, 495/09, 243/10, 1254/12, 1255/12
IAS 39	Financial Instruments: Recognition and Measurement	Reg. 1126/08, 1274/08, 53/2009, 70/09, 494/09, 495/09, 824/09, 839/09, 1171/09, 243/10, 149/11, 1254/12, 1255/12, 1174/13, 1375/13
IAS 40	Investment Property	Reg. 1126/08, Reg. 1274/08, Reg. 70/09, 1255/12
IAS 41	Agriculture	Reg. 1126/08, 1274/08, 70/09, 1255/12
IFRS 1	First-time Adoption of International Financial Reporting Standards	Reg. 1126/09, 1164/09, 550/10, 574/10, 662/10, 149/11, 475/12, 1254/12, 1255/12, 183/2013, 301/13, 313/13, 1174/13
IFRS 2	Share-based Payment	Reg. 1126/08, 1261/08, 495/09, 243/10, 244/10, 1254/12, 1255/12
IFRS 3	Business Combinations	Reg. 495/09, 149/11, 1254/12, 1255/12, 1174/13
IFRS 4	Insurance Contracts	Reg. 1126/08, 1274/08, 1165/09, 1255/12
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Reg. 1126/08, 1274/08, 70/09, 494/09, 1142/09, 243/10, 475/12, 1254/12, 1255/12
IFRS 6	Exploration for and Evaluation of Mineral Resources	Reg. 1126/08

IFRS 7	Financial Instruments: Disclosures	Reg. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 824/09, 1165/09, 574/10, 149/11, 1205/11, 475/12, 1254/12, 1255/12, 1256/12, 1174/13
IFRS 8	Operating Segments	Reg. 1126/08, 1274/08, 243/10, 632/10, 475/12
IFRS 10	Consolidated Financial Statements	Reg. 1254/12, 313/13, 1174/13
IFRS 11	Joint Arrangements	Reg. 1254/12, 313/13
IFRS 12	Disclosure of Interests in Other Entities	Reg. 1254/12, 313/13, 1174/13
IFRS 13	Fair Value Measurement	Reg. 1255/12

SIC/IFRIC	INTERPRETATION DOCUMENTS	ENDORSEMENT
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Reg. 1126/08, 1274/08
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments	Reg. 1126/08, 53/09, 1255/12, 301/13
IFRIC 4	Determining whether an Arrangement contains a Lease	Reg. 1126/08, 70/09, 1255/12
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Reg. 1126/08, 1254/12
IFRIC 6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment	Reg. 1126/08
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	Reg. 1126/08, 1274/08
IFRIC 9	Reassessment of Embedded Derivatives	Reg. 1126/08, 495/09, 1171/09, 243/10, 1254/12
IFRIC 10	Interim Financial Reporting and Impairment	Reg. 1126/08, 1274/08
IFRIC 12	Service Concession Arrangements	Reg. 254/09
IFRIC 13	Customer Loyalty Programmes	Reg. 1262/08, 149/11, 1255/12
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Reg. 1263/08, Reg. 1274/08, 633/10, 475/12
IFRIC 15	Agreements for the Construction of Real Estate	Reg. 636/09
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Reg. 460/09, Reg. 243/10, 1254/12
IFRIC 17	Distributions of Non-cash Assets to Owners	Reg. 1142/09, 1254/12, 1255/12
IFRIC 18	Transfers of Assets from Customers	Reg. 1164/09
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Reg. 662/10, 1255/12
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Reg. 1255/12
IFRIC 21	Levies	Reg. 634/14
SIC 7	Introduction of the Euro	Reg. 1126/08, 1274/08, 494/09
SIC 10	Government Assistance—No Specific Relation to Operating Activities	Reg. 1126/08, 1274/08
SIC 15	Operating Leases—Incentives	Reg. 1126/08, 1274/08
SIC 25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders	Reg. 1126/08, 1274/08
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Reg. 1126/08
SIC 29	Service Concession Arrangements: Disclosures	Reg. 1126/08, 1274/08, 70/09
SIC 31	Revenue—Barter Transactions Involving Advertising Services	Reg. 1126/08
SIC 32	Intangible Assets—Web Site Costs	Reg. 1126/08, 1274/08

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 factored to the company 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).
The fair value of held-to-maturity investments is calculated for disclosure purposes. Its estimate is described in Part A.4 – Fair value disclosure of these notes.

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 (Exposition At Default x Probability of Default x Loss Given Default), aligned for compliance with the relevant legislation.

The methodology used to calculate the fair value of loans and receivables is described in Part A.4 – Fair value disclosure of these notes. The fair value of all receivables is calculated for disclosure purposes only.

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 Non-current assets held for sale and discontinued operations – Liabilities associated with discontinued operations

Non-current assets and liabilities held for sale and discontinued operations whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified in the balance sheet under caption “130 Non-current assets held for sale and discontinued operations” and caption “80. Liabilities associated with discontinued operations”, respectively.

In order to be classified under the above captions, assets or liabilities (or discontinued operations) must be immediately available for sale and an active real programme to sell the asset or the availability in the short-term must be in place.

Assets and liabilities are measured at the lower of their carrying amount and fair value less costs to sell. Profits and losses related to discontinued operations are shown in the income statement caption “200 Profit (loss) from discontinued operations net of income tax”. Profits and losses related to individual assets held for sale are recognised in the relevant caption of the income statement.

A.2.8 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.

The methodology used to calculate the fair value of financial liabilities is described in Part A.4 – Fair value disclosure of these notes.

Derecognition

Financial liabilities are derecognised when settled or expired.

A.2.9 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.2.10 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.2.11 Foreign currency transactions

Definition

Foreign currency means a currency other than the company's functional currency which, in turn, is the currency of the primary economic environment in which the company operates.

Recognition

Foreign currency transactions are initially recognised in the functional currency, by applying the spot exchange rate.

Measurement

At each reporting date:

a) foreign currency [3]monetary items are translated at the closing rate;
b) non-monetary items[4] that are measured at historical cost are translated using the exchange rate at the date of the transaction;
c) monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange rate gains and losses arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements are recognised in profit or loss in the year in which they arise.

---

[3] Monetary items are units of currency held as assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Therefore, the essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency.

[4] Other than monetary items (see above).

When a gain or a loss arising on a non-monetary item is recognised directly in equity, each exchange rate component of such gain or loss is recognised directly in equity. Conversely, when a gain or a loss arising on a non-monetary item is recognised in profit or loss, each component is recognised in profit or loss.

A.2.12 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.

Expense directly related to financial instruments measured at amortised cost and which can be calculated since their origin, regardless of when settlement takes place, is recognised in profit or loss using the effective interest method, as defined in the note to "Loans and receivables".

Impairment losses are recognised in profit or loss when incurred.

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.3 – TRANSFER OF FINANCIAL ASSETS BETWEEN PORTFOLIOS

During the current or previous year, the company did not reclassify financial assets from those measured at fair value to those measured at amortised cost as permitted by EC regulation no. 1004/2008 of the European Commission.

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 also based 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 <u>not</u> 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 factored to UBI Factor 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.

A.4.5 Fair value hierarchy

Quantitative information

A.4.5.1 - Assets and liabilities measured at fair value on a recurring basis

There were no such assets or liabilities.

A.4.5.2 – Annual changes in assets measured at fair value (level 3)

There were no such assets or liabilities.

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

There were no such assets or liabilities.

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total at 31.12.2014				Total at 31.12.2013			
		Fair value				Fair value		
	CA	L1	L2	L3	CA	L1	L2	L3
1. Held-to-maturity investments	9,589	-	9,589	-	9,296	-	9,296	-
2. Loans and receivables	2,054,371	-	-	2,054,371	2,344,029	-	-	2,344,029
3. Investment property	-	-	-	-	-	-	-	-
4. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**2,063,960**	**-**	**9,589**	**2,054,371**	**2,353,325**	**-**	**9,296**	**2,344,029**
1. Financial liabilities	1,907,190	-	-	1,907,190	2,209,505	-	-	2,209,505
2. Securities issued	-	-	-	-	-	-	-	-
3. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	**1,907,190**	**-**	**-**	**1,907,190**	**2,209,505**	**-**	**-**	**2,209,505**

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

€7 thousand (+ €3 thousand)

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

	31.12.2014	31.12.2013
a) Cash	7	4
Total	**7**	**4**

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

€9,589 thousand (+ €293 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 factored to the company 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 31.12.2014	Fair value at 31.12.2014			Carrying amount at 31.12.2013	Fair value at 31.12.2013		
		L1	L2	L3		L1	L2	L3
1. Debt instruments								
1.1 Structured 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	9.589		9.589	-	9.296		9.296	-
2. Loans								
a) Banks								
b) Financial institutions								
c) Customers								
Total	**9.589**	**-**	**9.589**	**-**	**9.296**	**-**	**9.296**	**-**

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	**9,296**		**9,296**
B. Increases	**293**	**-**	**293**
B1. Purchases			-
B2. Reversals of impairment losses			-
B3. Transfers from other portfolios			-
B4. Other increases	293		293
C. Decreases	**-**	**-**	**-**
C1. Sales			-
C2. Repayments			-
C3. Impairment losses			-
C4. Transfers to other portfolios			-
C5. Other decreases			-
D. Closing balance	**9,589**	**-**	**9,589**

Section 6 – Loans and receivables - Caption 60

€2,054,371 thousand (- €289,658 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

€38,268 thousand (- €29,442 thousand)

These 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 €3,848 thousand being settled.

	Carrying amount at 31.12.2014	Fair value at 31.12.2014			Carrying amount at 31.12.2013	Fair value at 31.12.2013		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	33.721			33.721	57.811			57.811
2. Loans	4.489			4.489	9.764			9.764
2.1 Reverse repurchase agreements								
2.2 Finance leases								
2.3 Factoring	4.489			4.489	9.764			9.764
- with recourse	-				-			
- without recourse	4.489			4.489	9.764			9.764
2.4 Other loans	-				-			
3 Debt instruments	-				-			
- structured instruments								
- other debt instruments								
4. Other assets	58			58	135			135
Total	**38.268**			**38.268**	**67.710**			**67.710**

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

€12,763 thousand (- €48,624 thousand)

	Total at 31.12.2014						Total at 31.12.2013					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
1. Loans	7,294		5,469			12,763	56,543		4,800			61,343
1.1 Reverse repurchase agreements												
1.2 Finance leases												
1.3 Factoring	7,294		2,130			9,424	56,439					56,439
- with recourse	7,280		2,130			9,410	56,439					56,439
- without recourse	14					14	-					-
1.4 Other loans			3,339			3,339	104		4,800			4,904
2 Debt instruments	-						-					
- structured instruments												
- other debt instruments												
3. Other assets	-						44					44
Total	7,294		5,469			12,763	56,587		4,800			61,387

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

€2,003,340 thousand (- €211,592 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 31.12.2014						Total at 31.12.2013					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
1. Loans	**1,724,862**	-	**278,327**	-	-	**2,003,189**	**1,947,993**		**266,777**			**2,214,770**
1.1 Finance leases												
including: without final purchase option												
1.2 Factoring	**1,608,195**	-	**277,984**	-	-	**1,886,179**	**1,844,515**	-	**266,175**			**2,110,690**
- with recourse	1,046,377		233,142			1,279,519	1,138,139		235,200			1,373,339
- without recourse	561,818		44,842			606,660	706,376		30,975			737,351
1.3 Consumer credit												
1.4 Credit cards												
1.5 Loans granted in relation to payment for services provided												
1.6 Other loans	116,667		343			117,010	103,478		602			104,080
including: from enforcement of guarantees and commitments												
2. Debt instruments												
2.1 Structured instruments												
2.2 Other debt instruments												
3. Other assets	151	-				151	162	-				162
Total	1,725,013	-	278,327	-	-	2,003,340	1,948,155	-	266,777	-	-	2,214,932

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 €126,509 thousand.

6.4 Loans and receivables: guaranteed assets

€1,288,930 thousand (- €140,848 thousand)

	Total at 31.12.2014						Total at 31.12.2013					
	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					1,288,930	1,288,930					1,429,778	1,429,778
- Mortgages												
- Pledges												
- Personal guarantees												
- Credit derivatives												
2. Impaired assets guaranteed by:												
- Assets under finance lease												
- Factoring loans												
- Mortgages												
- Pledges												
- Personal guarantees												
- Credit derivatives												
Total		-	-	-	1,288,930	1,288,930		-	-	-	1,429,778	1,429,778

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	199,751	399,588	50,982	-	No
* UBI Academy Soc. Cons. a r.l.	2	1.50%	1.50%	Bergamo	na	na	na	-	No
Total	**393**								

(1) Data at 31.12.2014

Although 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 2013.

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

€162 thousand (- €62 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 31.12.2014	Total at 31.12.2013
1. Owned assets	162	224
a) land		
b) buildings		
c) furniture	68	87
d) electronic equipment	14	18
e) other	80	119
2. Assets under finance lease	-	-
a) land		
b) buildings		
c) furniture		
d) electronic equipment		
e) other		
Total	**162**	**224**

Owned assets used in operations include "Other", which substantially relates to furnishings and improvements to the Milan office, the Polish branch's 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	**87**	**18**	**119**	**224**
B. Increases	-	**12**	-	**12**
B.1 Purchases		12		
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	**(18)**	**(17)**	**(39)**	**(74)**
C.1 Sales				
C.2 Depreciation	(18)	(17)	(39)	
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	**69**	**13**	**80**	**162**
D.1 Total net impairment losses				
D.2 Closing gross balance	**69**	**13**	**80**	**162**
E. Measurement at cost	**69**	**13**	**80**	**162**

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
- Office furnishing	6

Section 11 – Intangible assets - Caption 110
€23 thousand (- €25 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

	31.12.2014		31.12.2013	
	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	23	-	48	-
- internally generated	-	-	-	-
- other	23	-	48	-
2.2 under finance lease	-	-	-	-
Total 2	23	-	48	-
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)	**23**	**-**	**48**	**-**
Total (assets at cost + assets at fair value)		**23**		**48**

11.2 Intangible assets: changes in the year

	Total
A. Opening balance	**48**
B. Increases	**583**
B.1 Purchases	583
B.2 Reversals of impairment losses	
B.3 Fair value gains recognised in:	-
- equity	
- profit or loss	
B.4 Other increases	
C. Decreases	**(608)**
C.1 Sales	
C.2 Amortisation	(85)
C.3 Impairment losses	-
- equity	
- profit or loss	
C.4 Fair value losses recognised in:	-
- equity	
- profit or loss	
C.5 Other decreases	(523)
D. Closing balance	**23**

Purchases of € 583 thousand relate to the capitalisation of expenses for migrating to the new K4F management information system during the conversion week-end of 27-30 June (€ 486 thousand) and to subsequent expenses.

The decreases for other changes relate to software transferred to "Non-current assets held for sale and discontinued operations" as per the transfer agreements entered into with UBI.S at year end. Transfers will take place in 2015.

Section 12 – Tax assets and liabilities

12.1 Analysis of caption 120 Tax assets: current and deferred

€14,420 thousand (- €406 thousand)

	31.12.2014	31.12.2013
A) Current tax assets	**3.109**	**3.987**
- Amounts paid to the tax authorities	3.075	3.941
- Tax credits	26	43
- Withholding taxes	8	3
B) Deferred tax assets	**11.311**	**10.839**
Deferred tax assets recognised in profit or loss	**11.037**	**10.622**
- Impairment losses on loans and receivables	10.220	10.018
- Accruals to provisions for risks and charges	592	389
- Personnel expense	99	53
- Intangible assets	37	81
- Other sundry	89	81
Deferred tax assets recognised in equity	**274**	**217**
- Personnel expense	274	217
- Other sundry	-	-
Total deferred tax assets	**11.311**	**10.839**
- Temporary differences not included in the calculation of deferred tax assets	-	-
Total recognisable deferred tax assets	**11.311**	**10.839**

12.2 Analysis of caption 70 Tax liabilities: current and deferred

€2,417 thousand (- €1,210 thousand)

	31.12.2014	31.12.2013
A) Current tax liabilities	**2.417**	**3.621**
- Accruals	1.621	2.991
- Other financial liabilities	590	620
- Withholding taxes	206	10
b) Deferred tax liabilities	**-**	**6**
Deferred tax liabilities recognised in profit or loss	**-**	**6**
- Reversals of impairment losses on loans and receivables	-	-
- Financial instruments	-	-
- Property and equipment	-	-
- Goodwill	-	-
- Accruals to the allowance for impairment	-	-
- Deferred gains	-	-
- Personnel expense	-	-
- Other sundry	-	6
Deferred tax liabilities with balancing entry in equity	**-**	**-**
- Personnel expense	-	-
- Other sundry	-	-
Total deferred tax liabilities	**-**	**6**
- Temporary differences not included in the calculation of deferred tax liabilities	-	-
Total recognisable deferred tax liabilities	**-**	**6**

12.3 Changes in deferred tax assets (balancing entry in profit or loss)

	31.12.2014	31.12.2013
1. Opening balance	**10,622**	**8,068**
2. Increases	**1,899**	**3,357**
2.1 Deferred tax assets recognised in the year	1,899	3,357
a) relative to prior years	38	-
b) due to change in accounting policies	-	-
c) reversal of impairment losses	-	-
d) other	1,861	3,357
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(1,484)**	**(803)**
2.1 Deferred tax assets derecognised in the year	(1,484)	(803)
a) reversals	(1,484)	(803)
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	**11,037**	**10,622**

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 €4.3 million at 31 December 2014 (deducible for IRES/IRAP purposes in fifths from the year in which they are recognised) and €9.5 million in 2013. 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)

	31.12.2014	31.12.2013
1. Opening balance	**10,018**	**7,278**
2. Increases	**1,409**	**3,156**
3. Decreases	**(1,207)**	**(416)**
3.1 Reversals	(1,207)	(416)
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	**10,220**	**10,018**

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)

	31.12.2014	31.12.2013
1. Opening balance	**6**	**7**
2. Increases	**-**	**(1)**
2.1 Deferred tax liabilities recognised in the year	-	(1)
a) relative to prior years	-	-
b) due to change in accounting policies	-	-
c) other	-	(1)
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(6)**	**-**
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	(6)	-
4. Closing balance	**-**	**6**

12.5 Changes in deferred tax assets (balancing entry in equity)

	31.12.2014	31.12.2013
1. Opening balance	**217**	**204**
2. Increases	**57**	**13**
2.1 Deferred tax assets recognised in the year	57	13
a) relative to prior years	-	-
b) due to change in accounting policies	-	-
c) other	57	13
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	**274**	**217**

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

12.6 Changes in deferred tax liabilities (balancing entry in equity)
There were no changes in the year.

Section 13 – Non-current assets held for sale and discontinued operations and liabilities associated with discontinued operations – Captions 130 of assets and 80 of liabilities

13.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

	31.12.2014	31.12.2013
A) Individual assets	-	-
B) Groups of assets (discontinued operations)		
B.1 Financial assets held for trading	-	-
B2 Financial assets at fair value through profit or loss	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans and receivables with banks	-	-
B.6 Loans and receivables with customers	-	-
B.7 Equity investments	-	-
B.8 Property and equipment	-	-
B.9 Intangible assets	523	-
B.10 Other assets	-	-
Total B	**523**	-
measured at cost	523	
measured at Level 1 fair value	-	
measured at Level 2 fair value	-	
measured at Level 3 fair value	-	
C) Liabilities associated with individual discontinued operations	-	-
D) Liabilities associated with groups of discontinued operations	-	-

This caption includes software transferred from caption 110 following the transfer agreements entered into with UBI.S at year end. Transfers will take place in 2015.

Section 14 – Other assets – Caption 140
€8,644 thousand (- €3,075 thousand)

14.1 Analysis of caption 140 Other assets

This caption consists mainly of the following:

	31.12.2014	31.12.2013
Tax consolidation assets from the parent	5,493	8,812
Receivables from social security institutions	117	117
Portfolio of bills under reserve	2,139	1,755
Other items	811	921
Prepayments and accrued income (not allocated)	84	114
Total	**8,644**	**11,719**

Tax consolidation assets from the parent consist of the IRES advances paid in 2014 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 2007 (2007-2011).
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 merged Factor Nord. Investigations are still underway into claims of counter-receivables which INPS intends to use for offsetting purposes.

The bills under reserve portfolio balances relate to amounts credited to the company in the first few days of January 2015.

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

€1,907,190 thousand (- €302,315 thousand)

1.1 Financial liabilities

This caption includes accrued interest expense of €445 thousand on bank current account overdrafts and loans.

	Total at 31.12.2014			Total at 31.12.2013		
	banks	financial institutions	customers	banks	financial institutions	customers
1. Loans	1.844.398	-	-	1.778.478	-	-
1.1 Reverse repurchase agreements	-	-	-	-	-	-
1.2 Other loans	1.844.398	-	-	1.778.478	-	-
2. Other financial liabilities	58.359	-	4.433	422.846	-	8.181
Total	**1.902.757**	**-**	**4.433**	**2.201.324**	**-**	**8.181**
Fair value - level 3	**1.902.757**	**-**	**4.433**	**2.201.324**	**-**	**8.181**

Total financial liabilities relating to the Polish branch amount to €117,613 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

€2,417 thousand (- €1,211 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

€30,364 thousand (+ €1,871 thousand)

9.1 Analysis of caption 90 Other liabilities

	Total at 31.12.2014	Total at 31.12.2013
Tax consolidation liabilities from the parent	3,407	5,050
Trade payables	1,076	790
Invoices to be received	5,967	5,199
Due to employees	86	75
Social security charges payable	698	696
Collections pending allocation	18,384	15,855
Guarantees issued to UBI Leasing	294	294
Other financial liabilities	713	525
Accrued expenses (unallocated)	9	9
Total	**30,634**	**28,493**

Tax consolidation liabilities to the parent relate to the IRES tax liability for 2014, 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 mainly refer to accruals and provisions for leaving incentives and holidays.
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 2015.

Section 10 – Post-employment benefits - Caption 100

€2,562 thousand (+ €176 thousand)

10.1 Post-employment benefits: changes in the year

	Total at 31.12.2014	Total at 31.12.2013
A. Opening balance	**2,386**	**2,685**
B. Increases	**218**	**62**
B.1 Accrual	9	16
B.2 Other increases	209	46
C. Decreases	**(42)**	**(361)**
C.1 Pay-outs	(42)	(361)
C.2 Other decreases		
D. Closing balance	**2,562**	**2,386**

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 1.50%, has been used as the revaluation rate.
The *Euro Composite AA* rate curve at 31 December 2014 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
€2,520 thousand (+ €1,048 thousand)

11.1 Analysis of caption 110 Provisions for risks and charges

	Total at 31.12.2014	Total at 31.12.2013
1. Company pension funds	-	-
2. Other provisions for risks and charges	2,520	1,472
2.1 litigation	1,356	158
2.2 personnel expense	955	1,099
2.3.2 other	209	215
Total	**2,520**	**1,472**

Provisions for litigation relate to legal costs, claw-back claims and lawsuits by third parties and probable disputes with customers. The increase recorded in 2014 is mainly attributable to the latter.
Provisions for personnel expense almost entirely consist of accruals in 2014 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

	31.12.2014		31.12.2013	
	Pension funds	Other provisions	Pension funds	Other provisions
A. Opening balance	-	**1,472**	-	**2,158**
B. Increases (+)	-	**1,644**	-	**200**
B.1 Accrual	-	1,633	-	198
B.2 Changes due to passage of time	-	11	-	2
B.3 Changes due to adjustments to the discount rate	-	-	-	-
B.4 Other increases	-		-	-
C. Decreases (-)	-	**(596)**	-	**(886)**
C.1 Utilisations	-	(596)	-	(886)
C.2 Changes due to adjustments to the discount rate	-		-	
C.3 Other decreases	-		-	
D. Closing balance	-	**2,520**	-	**1,472**

C.1 Decreases mainly 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 health care 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); in its partial sentence of 28 January 2015, the Rome Court of Appeals, while allowing ASL Roma H's claim for payment against San Raffaele S.p.A. and UBI Factor, established the criterion to calculate the greater compensation to be due to San Raffaele S.p.A. (hence to the factor UBI Factor), being the difference between the net average annual rate of return of government bonds of not more than twelve months and the legal interest rate, starting from the date the injunction order was notified to the date the receivable was factored. Accordingly, the Court of Appeals re-included the case in the general register to enable the court-appointed expert to perform their duties.
   The issues raised have already been effectively absorbed in the Court of Cassation's ruling as described in point sub b). However, UBI Factor will take a specific legal action before the Court of Cassation against the above ruling of 28 January 2015, referring to the Court of Cassation's case already pending;
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 against the revocation judgement was filed. However, UBI Factor's claims have already been submitted and absorbed in the Court of Cassation's ruling as described in point sub b).

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 health care 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)

	31.12.2014	31.12.2013
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

€97,233 thousand (+ €7,343 thousand)

	Legal reserve	Retained earnings	Other	TOTAL
A. Opening balance	**7,223**	**2**	**82,665**	**89,890**
B. Increases	-	-	**7,343**	**7,343**
B.1 Allocation of profit			7,343	7,343
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**	**90,008**	**97,233**

B.1 - The increase is due to the allocation of the profit for 2013, as resolved by the shareholders on 21 March 2014.

An analysis of other reserves is provided below:

Analysis of other reserves:	
Extraordinary reserve	81,794
Negative goodwill	6,573
General financial risks	2,484
FTA reserves	(843)
Total	**90,008**

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

-€510 thousand (- €151 thousand)

	Available-for-sale financial assets	Property and equipment	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Special revaluation laws	Actuarial gains (+)/losses (-) on post-employment benefits	Total
A. Opening balance							**(359)**	**(359)**
B. Increases	-	-	-	-	-	-	**(151)**	**(151)**
B.1 Fair value gains								-
B.2 Other increases							(151)	**(151)**
C. Decreases	-	-	-	-		-	-	-
C.1 Fair value losses								-
C.2 Other decreases								-
D. Closing balance	-	-	-	-	-	-	**(510)**	**(510)**

Equity caption disclosure pursuant to article 2427.1.7-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	81,794	A,B,C	81,794		
Other reserves	8,215	A,B,C	8,215		
Valuation reserve	(510)				
Retained earnings	8,174	A,B,C	8,174		
Total	**143,078**		**98,183**		
- Non-distributable portion			-		
- Residual distributable portion			98,183		

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

€38,647 thousand (- €2,841 thousand)

		Debt instruments	Loans	Other transactions	2014	2013
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	293			**293**	**289**
5.	Loans and receivables				-	
	5.1 Loans and receivables with banks		147		**147**	**134**
	5.2 Loans and receivables with financial institutions				-	
	5.3 Loans and receivables with customers		38,207		**38,207**	**41,065**
6.	Other assets				-	
7.	Hedging derivatives				-	
					-	
	Total	**293**	**38,354**	**-**	**38,647**	**41,488**

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 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

€6,944 thousand (- €910 thousand)

		Loans	Securities	Other	2014	2013
1.	Due to banks	(6,944)			**(6,944)**	**(7,854)**
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				-	-
8.	Hedging derivatives				-	-
	Total	**(6,944)**	**-**	**-**	**(6,944)**	**(7,854)**

Interest mainly includes that paid to banks for current account overdrafts and loans. It represents the cost of infragroup funding.

The amounts shown do not include expenses for subordinated liabilities.

Section 2 – Commissions – Captions 30 and 40

2.1 Analysis of caption 30 Commission income

€16,919 thousand (- €3,676 thousand)

	2014	2013
1. finance leases		
2. factoring	16,919	20,565
3. consumer credit		
4. merchant banking		
5. guarantees given		
6. services:		
- third party mandated fund management		
- forex brokerage		
- product distribution		
- other	-	30
7. collection and payment services		
8. securitisation servicing		
9. other fees and commissions		
	16,919	**20,595**

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

Factoring commission income	2014	2013
1. with recourse commissions	12,426	15,224
2. without recourse commissions	3,135	3,255
3. mandate commissions	3	5
4. expense recoveries with mark-ups	431	495
5. other	924	1,586
	16,919	**20,565**

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
€11,199 thousand (- €894 thousand)

	2014	2013
1. guarantees received	(613)	(618)
2. third party distribution of services		-
3. collection and payment services	(81)	(38)
4. other fees and commissions:		-
4.1 reversal of fees and commissions to third parties	(10,373)	(11,177)
4.2 credit insurance premiums		
4.3 bank charges	(132)	(260)
	(11,199)	**(12,093)**

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	2014	2013
1. reversal of fees and commissions to banks	(9,286)	(9,799)
2. reversal of fees and commissions to debtors	(789)	(1,009)
3. reversal of fees and commissions to brokers	(169)	(258)
4. reversal of fees and commissions to foreign correspondents	(129)	(111)
	(10,373)	**(11,177)**

Section 8 – Net impairment losses – Caption 100

8.1 Net impairment losses on loans and receivables

- €5,287 thousand (- €6,641 thousand)

	Impairment losses		Reversals of impairment losses		2014	2013
	- individual	- collective	- individual	- collective		
1. Loans and receivables with banks	-	-	-	-	-	(57)
- leases	-	-	-	-	-	
- factoring	-	-	-	-	-	(57)
- other loans and receivables	-	-	-	-	-	
2. Loans and receivables with financial institutions	-	-	-	-	-	(378)
Impaired loans and receivables acquired	-	-	-	-	-	-
- leases	-	-	-	-	-	
- factoring	-	-	-	-	-	
- other loans and receivables	-	-	-	-	-	
other loans and receivables	-	-	-	-	-	(378)
- leases	-	-	-	-	-	
- factoring			-	-	-	(378)
- other loans and receivables	-	-	-	-	-	
3. Loans and receivables with customers	(8,450)	-	1,709	1,454	(5,287)	(11,493)
Impaired loans and receivables acquired	-	-	-	-	-	-
- leases	-	-	-	-	-	
- factoring				-	-	
- consumer credit	-	-	-	-	-	
- other loans and receivables		-		-	-	
other loans and receivables	(8,450)	-	1,709	1,454	(5,287)	(11,493)
- leases	-	-	-	-	-	
- factoring	(8,450)	-	1,709	1,454	(5,287)	(10,825)
- consumer credit	-	-	-	-	-	
- other loans and receivables	-	-	-	-	-	(668)
	(8,450)	**-**	**1,709**	**1,454**	**(5,287)**	**(11,928)**

In detail, these changes relate to the following:

		2014	2013
1)	**Individual impairment losses:**	**(8.450)**	**(8.347)**
	Impairment losses on loans and receivables (1)(2)	(7.873)	(4.765)
	Discounting expense on impaired assets	(577)	(3.582)
2)	**Individual reversals of impairment losses:**	**1.709**	**1.554**
	Reversals of impairment on loans and receivables	450	361
	Discounting income on impaired assets	1.259	1.193
3)	**Collective impairment losses:**	**1.454**	**(5.135)**
	Collective impairment losses on loans and receivables (3)	-	(5.135)
	Collective impairment losses on loans and receivables (4)	1.454	-
	Total	**(5.287)**	**(11.928)**

(1) impairment losses mainly relate to the health care sector. In particular, the significant impairment losses are due to the trend in receivables from the public administration acquired in prior years and relating to the Lazio region health care 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, in 2013. This revenue is recognised under other operating income (see table 14.1). In 2014, €48 thousand was recovered;

(3) the impairment losses arising from the fine-tuning of the calculation method for the collective impairment losses, as described in the directors' report on the 2013 financial statements;

(4) the reversal of impairment losses mainly related to the public administration which, in 2014, were included in the PAST DUE bracket, generating greater analytical adjustments of approximately €1.3 million, included in the greater impairment losses for 2014 of €7.9 million.

Section 9 – Administrative expenses – Caption 110

9.1 Analysis of caption 110 a) Personnel expense

€10,765 thousand (+ €313 thousand)

		2014	2013
1.	**Employees**	**(9.432)**	**(8.941)**
a)	wages and salaries	(6.753)	(6.390)
b)	social security contributions	(1.886)	(1.731)
c)	termination benefits	(359)	(368)
d)	pension and similar costs	-	-
e)	accrual for post-employment benefits	(10)	(16)
f)	accrual for pension and similar costs:	-	-
	- defined contribution plans	-	-
	- defined benefit plans	-	-
g)	payments to external complementary pension funds:	(236)	(236)
	- defined contribution plans	(236)	(236)
	- defined benefit plans		
h)	other expenses	(188)	(200)
2.	**Other personnel**	-	(37)
3.	**Directors and statutory auditors**	(260)	(237)
4.	**Retired personnel**	-	-
5.	**Expense recoveries for personnel seconded to other compan**	478	203
6.	**Refunds for employees seconded to the company**	(1.551)	(1.440)
	Total	**(10.765)**	**(10.452)**

Employees include accruals for:
- change in the provision for vacation, holiday pay and comp time;
- the performance bonus and the related contributions;
- in 2013, reallocation of expense incurred following the conclusion of litigation with personnel;
- other expenses, which include training, restaurant vouchers and employee insurance policies.

9.2 Average number of employees by category

	2014		2013	
WORKFORCE	average	year-end	average	year-end
Employees:	**121**	**128**	**133**	**132**
a) managers	6	6	5	5
b) Total senior and junior managers	55	57	58	59
- including 3rd and 4th level junior managers	30	29	32	32
c) residual employees	60	65	70	68
Other personnel	**18**	**18**	**17**	**19**

Other personnel relates to seconded employees.

9.3 Analysis of caption 110 b Other administrative expenses

€10,029 thousand (+ €1,300 thousand)

Other administrative expenses	2014	2013
Credit recovery expenses	(2,494)	(2,167)
Outsourcing to third parties (1)	(1,439)	(853)
Lease expense	(1,372)	(1,548)
Outsourcing to group companies (2)	(1,366)	(588)
Legal and corporate advisory services	(497)	(524)
Hardware lease	(373)	(373)
Information and chamber of commerce queries	(358)	(331)
Professional ICT services	(304)	(316)
Postal costs	(282)	(303)
Travel expenses	(212)	(179)
Car and furniture rental	(177)	(211)
Membership fees	(77)	(83)
Electronic transmission and telephone networks	(71)	(97)
Cleaning	(69)	(85)
Building maintenance	(42)	(47)
Insurance premiums	(39)	(46)
Printed matter, stationary and consumables	(30)	(37)
Transport and relocations	(33)	(16)
Hardware maintenance and assistance	(11)	(10)
Other building management expenses	(16)	(17)
Periodicals and volumes	(7)	(8)
Entertainment expenses	(2)	(2)
Advertising and publicity	(1)	-
Work experience stipends	-	(3)
Other expenses	(44)	(99)
Total administrative expenses	**(9,316)**	**(7,943)**
Indirect taxes and duties	**(713)**	**(786)**
- Other taxes (3)	(354)	(490)
- Stamp tax	(199)	(215)
- VAT on infragroup contracts	(160)	(81)
Total	**(10,029)**	**(8,729)**

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.

(1) the significant increase in the year is mainly due to the service provided by the company that supplied the new K4F information management system. The system was launched in 2014.

(2) the significant increase in the year is mainly due to the centralisation of the control and administrative functions with the parent as described in the Directors' report.

(3) registration taxes related to management of irregular loans.

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

€75 thousand (- €66 thousand)

	Depreciation	Impairment losses	Reversals of impairment losses	Carrying amount at 31.12.2014	Carrying amount at 31.12.2013
1. Assets used in operations					
1.1 owned	(75)	-	-	(75)	(141)
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) furniture	(19)	-	-	(19)	(19)
d) equipment	(18)	-	-	(18)	(28)
e) other	(38)	-	-	(38)	(94)
1.2 under finance lease	-	-	-	-	-
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
c) furniture	-	-	-	-	-
d) equipment	-	-	-	-	-
e) other	-	-	-	-	-
2. Investment property	-	-	-	-	-
Total	**(75)**	**-**	**-**	**(75)**	**(141)**

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

€84 thousand (- €443 thousand)

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount at 31.12.2014	Carrying amount at 31.12.2013
1. Goodwill	-	-	-	-	-
2. Other intangible assets	(84)	-	-	(84)	(527)
2.1 owned	(84)	-	-	(84)	(527)
2.2 under finance lease	-	-	-	-	-
3. Assets under finance lease	-	-	-	-	-
4. Assets under operating lease	-	-	-	-	-
Total	**(84)**	**-**	**-**	**(84)**	**(527)**

Impairment losses relate to the software licence of the management software (basic version of the new information system) acquired in 2010.

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

-€1,194 thousand (+ €1,297 thousand)

Accruals	2014	2013
Insolvency litigation and legal expenses	7	-
Risks for disputes brought about by third parties and legal expenses	-	-
Risks and charges related to personnel	(60)	103
Other risks and charges	(1,141)	-
Total	**(1,194)**	**103**

The accruals for 2014 amount to €1,141 thousand and refer to probable disputes with customers.

Section 14 – Other operating income and expenses – Caption 160

14.1 Analysis of caption 160 Net other operating income

€2,256 thousand (+ €804 thousand)

a) Other operating income	2014	2013
Factoring	1,489	373
Expense recoveries	966	809
Revenue from invoiced penalties	139	711
Prior year income	-	119
Other sundry	4	-
Total A	**2,598**	**2,012**

b) Other operating expenses	2014	2013
Factoring	(197)	-
Exchange rate adjustments	(30)	(135)
Prior year expense and losses	(11)	(9)
Losses on the impairment of the receivable from INPS	-	(401)
Other sundry	(104)	(15)
Total B	**(342)**	**(560)**

Total a+b	**2,256**	**1,452**

Factoring revenue mainly relates to gains recognised on the collection of receivables which were acquired at prices significantly lower than their nominal amount. The increase of the year is due to the collection of a significant amount related to an individual position.

Factoring expense relates, in particular, to recharges for the same operations.

Expense recoveries refer to recharges to originators without mark-ups, i.e., legal expenses, registration taxes and bank expenses.

The increase in Other operating expenses refers to the costs incurred for losing the disputes as part of credit recovery activities and sanctions and penalties.

Section 17 – Income taxes – Caption 190

17.1 Analysis of caption 190 "Income taxes"

€4,070 thousand (- €501 thousand)

	2014	2013
1. Current taxes	(4,439)	(7,304)
2. Changes in current taxes of prior years	(53)	179
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	415	2,554
5. Change in deferred tax liabilities	7	-
Income taxes of the year	**(4,070)**	**(4,571)**

Current taxes
Current taxes have been calculated at the current rates: IRES of 27.50% and IRAP of 5.57%.
They amount to €4.4 million and result from the IRAP accrual and IRES payable of €4.5 million to be paid to the parent, net of the positive adjustments (€0.1 million) due to participation in the national tax consolidation scheme.
The net increase of €0.4 million in deferred tax assets reflects the difference between the increases/decreases set out in table 12.3 (changes in deferred tax assets with a balancing entry in profit or loss).

Other information
The Polish branch’s activities generated taxable profit (approximately €2.2 million compared to €2.1 million in 2013), entailing income taxes of approximately €515 thousand (tax rate of 19%) to be paid in Poland, compared to roughly €615 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

IRES	Tax base	IRES	%
Theoretical tax	**12.244.683**	**(3.367.288)**	**27,50%**
Permanent increases			
- Non-deductible interest expense	5.539	(1.523)	0,01%
- Non-deductible donations	11.300	(3.108)	0,03%
- Non-deductible car costs	123.908	(34.075)	0,28%
- Non-deductible losses and impairment losses	256.054	(70.415)	0,58%
- Other non-deductible charges	87.857	(24.161)	0,20%
- PRIOR YEAR taxes	-	(133.636)	1,09%
Permanent decreases			
- IRAP deduction on personnel and 10%	(471.079)	129.547	-1,06%
- Donation deduction	(10.000)	2.750	-0,02%
- Other decreases	(14.342)	3.944	-0,03%
- Deferred taxes - other decreases	159.825	43.952	-0,36%
Effective tax	**11.279.299**	**(3.147.539)**	**25,71%**

IRAP	tax base	IRAP	%
Theoretical tax	**12.244.683**	**(682.029)**	**5,57%**
Permanent increases			
- Personnel expense (caption 150 a)	10.765.573	(599.642)	4,90%
- Administrative expenses - 10% (caption 150 b)	1.002.936	(55.864)	0,46%
- Accruals to risk provisions (caption 160)	1.193.465	(66.476)	0,54%
- Amortisation/depreciation - 10% and not functional? (caption 170)	15.903	(886)	0,01%
- Non-deductible interest expense	277.743	(15.470)	0,13%
- Recovery of tax operating income	1.011.491	(56.340)	0,46%
- Other increases	54.988	(3.063)	0,03%
Permanent decreases			
- Untaxed revenue for IRAP purposes (caption 190)	(2.255.971)	125.658	-1,03%
- Tax wedge	(3.961.469)	220.654	-1,80%
- Foreign portion	(1.304.568)	72.664	-0,59%
- PRIOR YEAR taxes	(1.450.862)	80.813	-0,66%
Effective tax	**17.593.912**	**(922.783)**	**7,54%**

Total effective IRES and IRAP tax	**12.244.683**	**(4.070.322)**	**33,24%**

The total tax rate, calculated as the ratio of income taxes to pre-tax profit from continuing operations, is 33.2%, compared to 38.4% in 2013.

Section 19 – Income statement: other information

19.1 Analysis of interest and commission income

€55,122 thousand (- €6,402 thousand)

	Interest income			Commission income			2014	2013
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- buildings	-	-	-	-	-	-	-	-
- chattels	-	-	-	-	-	-	-	-
- equipment	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	-	38,203	-	-	16,919	**55,122**	**61,524**
- current receivables	-		32,626	-	-	13,781	**46,407**	**50,925**
- future receivables	-	-	9	-	-	2	**11**	**11**
- receivables acquired definitively	-	-	5,106	-	-	3,136	**8,242**	**9,949**
- receivables acquired at below	-	-	-	-	-	-	-	-
the nominal amount	-	-		-	-	-	-	-
- other loans	-	-	462	-	-	-	**462**	**639**
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- loans for specific purposes	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	-	-	-	-	-	-	-	-
- trade	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-		-	
Total	**-**	**-**	**38,203**	**-**	**-**	**16,919**	**55,122**	**61,524**

In addition to that disclosed above, additional non-factoring interest income of €444 thousand (2013: €529 thousand) has been recognised in profit or loss. It is analysed below:

- insurance policy return of €293 thousand;
- positive current account balances of €125 thousand;
- loans for specific purposes of €26 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

	2014			2013		
	Gross amount	Adjustments	Carrying amount	Gross amount	Adjustments	Carrying amount
1. Performing assets	1,628,381	(8,404)	1,619,977	1,912,992	(10,473)	1,902,519
- exposure to originators (with recourse):	1,059,179	(5,522)	1,053,657	1,200,879	(6,301)	1,194,578
- transfers of future receivables	12	-	12	403	-	403
- other	1,059,167	(5,522)	1,053,645	1,200,476	(6,301)	1,194,175
- exposure to transferred debtors (without recourse)	569,202	(2,882)	566,320	712,113	(4,172)	707,941
2. Impaired assets	319,847	(39,733)	280,114	307,181	(32,806)	274,375
2.1 Non-performing	256,257	(37,295)	218,962	253,463	(32,208)	221,255
- exposure to originators (with recourse):	244,146	(29,878)	214,268	240,622	(24,131)	216,491
- transfers of future receivables	3,541	(1,625)	1,916	89	(10)	79
- other	240,605	(28,253)	212,352	240,533	(24,121)	216,412
- exposure to transferred debtors (without recourse):	12,111	(7,417)	4,694	12,841	(8,077)	4,764
- acquired at below nominal amount			-	1,278	(1,278)	-
- other	12,111	(7,417)	4,694	11,563	(6,799)	4,764
2.2 Doubtful	2,399	(1,008)	1,391	3,709	(425)	3,284
- exposure to originators (with recourse):	560	(107)	453	2,813	(276)	2,537
- transfers of future receivables						
- other	560	(107)	453	2,813	(276)	2,537
- exposure to transferred debtors (without recourse):	1,839	(901)	938	896	(149)	747
- acquired at below nominal amount						
- other	1,839	(901)	938	896	(149)	747
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	61,191	(1,430)	59,761	50,009	(173)	49,836
- exposure to originators (with recourse):	20,807	(255)	20,552	16,189	(17)	16,172
- transfers of future receivables						
- other	20,807	(255)	20,552	16,189	(17)	16,172
- exposure to transferred debtors (without recourse):	40,384	(1,175)	39,209	33,820	(156)	33,664
- acquired at below nominal amount						
- other	40,384	(1,175)	39,209	33,820	(156)	33,664
Total	**1,948,228**	**(48,137)**	**1,900,091**	**2,220,173**	**(43,279)**	**2,176,894**

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, in the first half of the year, the company applied these regulations to the portfolio of receivables from the public administration that it has acquired as the halt *ex lege* to executive actions against the local health care units of the regions under the Commissioner ceased to exist.

B.2 – Breakdown by residual life

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

Maturities	Advances		Total loans	
	2014	2013	2014	2013
- on demand	121,382	284,017	719,034	950,193
- up to 3 months	767,434	776,145	825,717	862,623
- from 3 to 6 months	98,589	149,787	142,280	132,115
- from 6 months to 1 year	265,335	65,842	166,612	26,758
- over 1 year	36,190	153,987	-	5,729
- undetermined	-	-	-	-
Total	**1,288,930**	**1,429,778**	**1,853,643**	**1,977,418**

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	
	2014	2013
- on demand	117,658	171,068
- up to 3 months	423,528	476,988
- from 3 to 6 months	32,099	38,518
- from 6 months to 1 year	35,122	32,360
- over 1 year	2,754	28,182
- undetermined	-	-
Total	**611,161**	**747,116**

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.

Starting from the 2014 financial statements, in both the above tables, loans and receivables past due up to 90 days have been absorbed in the "on demand bracket" (rather than the "undetermined" bracket) in line with supervisory legislation. For comparison purposes, 2013 figures have been reclassified.

B.3 - Impairment losses

B.3.1 – Factoring

	Opening impairment losses	Increases				Decreases					Closing impairment losses
		Impairment losses	Losses on sale	Transfers from other	Other increases	Reversals of impairment losses	Gains on sale	Transfers to other	Derecognition	Other decreases	
Individual impairment losses on impaired assets	**32,740**	**6,474**	**-**	**4,072**	**1,459**	**117**		**566**	**3,151**	**1,178**	**39,733**
Exposure to originators	**24,440**	**4,192**	**-**	**3,716**	**1,061**	**3**		**210**	**1,840**	**1,115**	**30,241**
- Non-performing	24,164	3,719		3,716	1,061	3		-	1,840	937	29,880
- Doubtful	276	218	-		-			210		178	106
- Restructured	-	-	-		-	-		-	-	-	-
- Past due	-	255	-		-	-		-	-	-	255
Exposure to transferred debtors	8,300	2,282	-	356	398	114		356	1,311	63	9,492
- Non-performing	7,979	1,029		5	194	66		351	1,311	62	7,417
- Doubtful	149	287		351	168	48		5		1	901
- Restructured	-	-	-		-	-		-	-	-	-
- Past due	172	966	-		36	-			-	-	1,174
Collective impairment losses on other assets	**10,473**	**-**	**-**	**-**	**1,280**	**1,416**		**-**	**-**	**1,337**	**9,000**
- Exposure to originators	6,317		-		1,277	1,416				60	6,118
- Exposure to transferred debtors	4,156				3	-		-		1,277	2,882
Total	**43,213**	**6,474**	**-**	**4,072**	**2,739**	**1,533**	**-**	**566**	**3,151**	**2,515**	**48,733**

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

	2014	2013
1. Without recourse	1,860,250	1,579,922
- including: acquired at below nominal amount	-	-
2. With recourse	5,432,941	5,487,295
Total turnover from factoring	**7,293,191**	**7,067,217**

Loans for a specific purpose	-	-
Other transactions	381,441	529,335

Total operating volumes	**7,674,632**	**7,596,552**

B.4.2 - Collection services

	2014	2013
Loans and receivables collected during the year	132,195	223,228
Loans and receivables in place at the reporting date	43,143	93,919

B.4.3 Nominal amount of factoring agreements for future receivables

	2014	2013
Flow of agreements to acquire future receivables in the year	7,851	19,811
Agreements in place at the reporting date	23,986	18,140

D. Guarantees given and commitments

D.1 - Value of guarantees given and commitments

	2014	2013
1. Financial guarantees given enforceable upon demand	447	10,464
a) Banks	-	9,869
b) Financial institutions	447	595
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	209,892	174,508
a) Banks	-	-
i) of certain use	-	-
ii) of uncertain use	-	-
b) Financial institutions	-	-
i) of certain use	-	-
ii) of uncertain use	-	-
c) Customers	209,892	174,508
i) of certain use	-	-
ii) of uncertain use	209,892	174,508
5. Commitments underlying credit derivatives: protection sales	-	-
6. Assets pledged to guarantee third party obligations	-	-
7. Other irrevocable commitments	-	-
Total	**210,357**	**184,990**

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

	Credit risk originating from on-statement of financial position exposure
	Credit risk originating from off-statement of financial position exposure
	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).

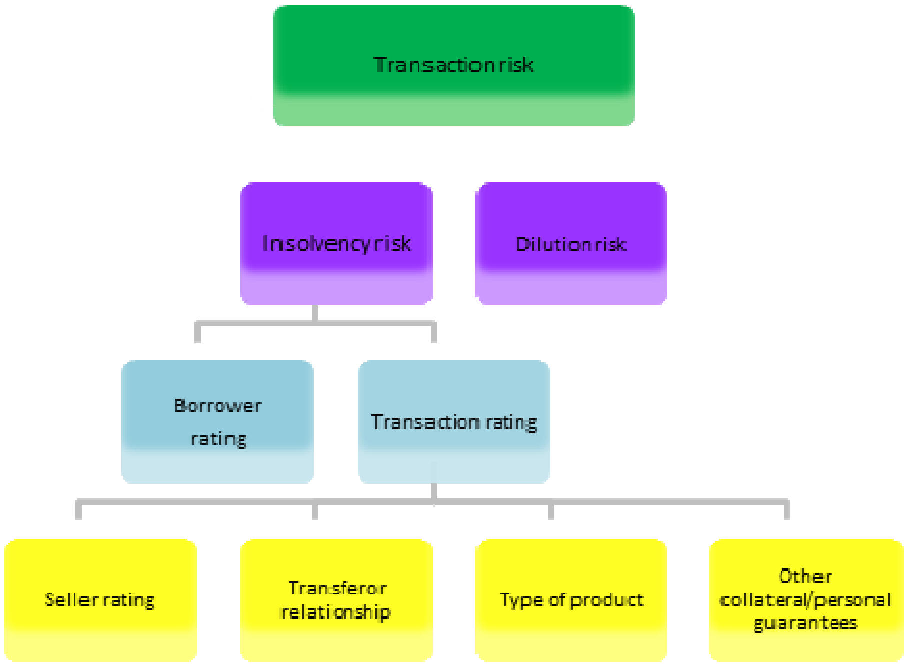
Assets are classified as "default" (continuously past due by over 90 days, restructured, doubtful and non-performing) in accordance with the criteria established in the "Credit Regulation" and the parent's directives. Classification as such is not the result of discretionary assessment, but it is based 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 (5), 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.

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 the Bank of Italy.

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

[5] 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".

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	Unimpaired 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						9,589	9,589
5. Loans and receivables with banks						38,268	38,268
6. Loans and receivables with financial institutions	3,339			2,130		7,294	12,763
7. Loans and receivables with customers	219,052	1,643		57,632	389,814	1,335,199	2,003,340
8. Hedging derivatives							
Total (31.12.2014)	**222,391**	**1,643**	**-**	**59,762**	**389,814**	**1,390,350**	**2,063,960**
Total (31.12.2013)	**226,326**	**3,614**	**-**	**49,837**	**355,241**	**1,718,307**	**2,353,325**

2 Credit exposure

2.1 Loans and receivables with customers: gross and net amounts

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	319,870	41,543	-	278,327
CASH EXPOSURE:	319,870	41,543	-	278,327
- Non-performing	258,163	39,111		219,052
- Doubtful	2,671	1,028		1,643
- Restructured				-
- Impaired past due	59,036	1,404		57,632
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**319,870**	**41,543**	**-**	**278,327**
B. PERFORMING ASSETS:	1,733,964	-	8,951	1,725,013
- Unimpaired past due	391,836		2,022	389,814
- Other	1,342,128		6,929	1,335,199
Total B	**1,733,964**	**-**	**8,951**	**1,725,013**
Total (A+B)	**2,053,834**	**41,543**	**8,951**	**2,003,340**

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

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	6,090	621	-	5,469
CASH EXPOSURE:	6,090	621	-	5,469
- Non-performing	3,935	596		3,339
- Doubtful				-
- Restructured				-
- Impaired past due	2,155	25		2,130
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**6,090**	**621**	**-**	**5,469**
B. PERFORMING ASSETS:	45,620	-	58	45,562
- Unimpaired past due				-
- Other	45,620		58	45,562
Total B	**45,620**	**-**	**58**	**45,562**
Total (A+B)	**51,710**	**621**	**58**	**51,031**

As required by the Bank of Italy 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:	391,836	391,836
- exposure to originators (with recourse)	335,777	335,777
- exposure to transferred debtors (without recourse)	56,059	56,059
- 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	311,012	193,035	300,666	3,557	55,143	1,139,927	2,003,340
B. Derivatives							
B.1 Financial derivatives							
B. Credit derivatives							
C. Guarantees given						464	464
Commitments to disburse funds						209,892	209,892
Total	**311,012**	**193,035**	**300,666**	**3,557**	**55,143**	**1,350,283**	**2,213,696**

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					2,003,340		2,003,340
B. Derivatives							
B.1 Financial derivatives							
B. Credit derivatives							
C. Guarantees given						464	464
Commitments to disburse funds						209,892	209,892
Total	**0**	**0**	**0**	**0**	**2,003,340**	**210,356**	**2,213,696**

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	46,364	3,661	-	42,703
CASH EXPOSURE:	46,364	3,661	-	42,703
- Non-performing	8,222	2,514		5,708
- Doubtful	-	-		-
- Restructured				-
- Impaired past due	38,142	1,147		36,995
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**46,364**	**3,661**	**-**	**42,703**
B. PERFORMING ASSETS:	51,106	-	3,204	47,902
- Unimpaired past due	-		-	-
- Other	51,106		3,204	47,902
Total B	**51,106**	**-**	**3,204**	**47,902**
Total (A+B)	**97,470**	**3,661**	**3,204**	**90,605**

b) Households

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	1,127	285	-	842
CASH EXPOSURE:	1,127	285	-	842
- Non-performing	328	275		53
- Doubtful				-
- Restructured				-
- Impaired past due	799	10		789
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**1,127**	**285**	**-**	**842**
B. PERFORMING ASSETS:	2,317	-	-	2,317
- Unimpaired past due	509			509
- Other	1,808			1,808
Total B	**2,317**	**-**	**-**	**2,317**
Total (A+B)	**3,444**	**285**	**-**	**3,159**

c) Non-profit organisations serving households

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	220,020	16,097	-	203,923
CASH EXPOSURE:	220,020	16,097	-	203,923
- Non-performing	219,980	16,097		203,883
- Doubtful				-
- Restructured				-
- Impaired past due	40			40
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**220,020**	**16,097**	**-**	**203,923**
B. PERFORMING ASSETS:	30,863	-	1,922	28,941
- Unimpaired past due	3,071		825	2,246
- Other	27,792		1,097	26,695
Total B	**30,863**	**-**	**1,922**	**28,941**
Total (A+B)	**250,883**	**16,097**	**1,922**	**232,864**

Non-performing exposures refer to suppliers who factor their receivables from the public administration, mainly the Lazio region health care sector.

d) Rest of the world

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	13,714	1,713	-	12,001
CASH EXPOSURE:	13,714	1,713	-	12,001
- Non-performing	1,543	1,422		121
- Doubtful	162	149		13
- Restructured				-
- Impaired past due	12,009	142		11,867
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**13,714**	**1,713**	**-**	**12,001**
B. PERFORMING ASSETS:	573,242	-	1,068	572,174
- Unimpaired past due	151,896		181	151,715
- Other	421,346		887	420,459
Total B	**573,242**	**-**	**1,068**	**572,174**
Total (A+B)	**586,956**	**1,713**	**1,068**	**584,175**

e) Non-financial companies

	Gross amount	Individual impairment losses	Collective impairment losses	Net amount
A. IMPAIRED ASSETS	40,708	19,720	-	20,988
CASH EXPOSURE:	40,708	19,720	-	20,988
- Non-performing	27,998	18,711		9,287
- Doubtful	2,509	879		1,630
- Restructured				-
- Impaired past due	10,201	130		10,071
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-
- Non-performing				-
- Doubtful				-
- Restructured				-
- Impaired past due				-
Total A	**40,708**	**19,720**	**-**	**20,988**
B. PERFORMING ASSETS:	1,073,552	-	2,003	1,071,549
- Unimpaired past due	236,361		284	236,077
- Other	837,191		1,719	835,472
Total B	**1,073,552**	**-**	**2,003**	**1,071,549**
Total (A+B)	**1,114,260**	**19,720**	**2,003**	**1,092,537**

3.2 Loans to customers by counterparty geographical segment: net amounts

a) Public administration

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	683	25	34,365	7,630	-	-	42,703
CASH EXPOSURE:	683	25	34,365	7,630	-	-	42,703
- Non-performing			8	5,700			5,708
- Doubtful							-
- Restructured							-
- Impaired past due	683	25	34,357	1,930			36,995
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**683**	**25**	**34,365**	**7,630**	**-**	**-**	**42,703**
B. PERFORMING ASSETS:	10,459	14	28,137	9,292	-	-	47,902
- Unimpaired past due							-
- Other	10,459	14	28,137	9,292			47,902
Total B	**10,459**	**14**	**28,137**	**9,292**	**-**	**-**	**47,902**
Total (A+B)	**11,142**	**39**	**62,502**	**16,922**	**-**	**-**	**90,605**

b) Households

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	-	-	789	36	17	-	842
CASH EXPOSURE:	-	-	789	36	17	-	842
- Non-performing				36	17		53
- Doubtful							-
- Restructured							-
- Impaired past due			789				789
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**-**	**-**	**789**	**36**	**17**	**-**	**842**
B. PERFORMING ASSETS:	534	205	1,103	447	28	-	2,317
- Unimpaired past due	34	67	289	109	10		509
- Other	500	138	814	338	18		1,808
Total B	**534**	**205**	**1,103**	**447**	**28**	**-**	**2,317**
Total (A+B)	**534**	**205**	**1,892**	**483**	**45**	**-**	**3,159**

c) Non-profit organisations serving households

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	8,449	-	195,474	-	-	-	203,923
CASH EXPOSURE:	8,449	-	195,474	-	-	-	203,923
- Non-performing	8,445		195,438				203,883
- Doubtful							-
- Restructured							-
- Impaired past due	4		36				40
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-		-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**8,449**	**-**	**195,474**	**-**	**-**	**-**	**203,923**
B. PERFORMING ASSETS:	1,293	-	27,648	-	-	-	28,941
- Unimpaired past due			2,246				2,246
- Other	1,293		25,402				26,695
Total B	**1,293**	**-**	**27,648**	**-**	**-**	**-**	**28,941**
Total (A+B)	**9,742**	**-**	**223,122**	**-**	**-**	**-**	**232,864**

d) Rest of the world

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	-	-	-	-	-	12,001	12,001
CASH EXPOSURE:	-	-	-	-	-	12,001	12,001
- Non-performing						121	121
- Doubtful						13	13
- Restructured							-
- Impaired past due						11,867	11,867
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**-**	**-**	**-**	**-**	**-**	**12,001**	**12,001**
B. PERFORMING ASSETS:	-	-	-	-	-	572,174	572,174
- Unimpaired past due						151,715	151,715
- Other						420,459	420,459
Total B	**-**	**-**	**-**	**-**	**-**	**572,174**	**572,174**
Total (A+B)	**-**	**-**	**-**	**-**	**-**	**584,175**	**584,175**

e) Non-financial companies

	Northwest	Northeast	Centre	South	Islands	Abroad	Total
A. IMPAIRED ASSETS	5,157	1,472	10,587	3,753	19	-	20,988
CASH EXPOSURE:	5,157	1,472	10,587	3,753	19	-	20,988
- Non-performing	1,439	81	4,477	3,273	17		9,287
- Doubtful	455	277	533	363	2		1,630
- Restructured							-
- Impaired past due	3,263	1,114	5,577	117			10,071
EXPOSURE NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION:	-	-	-	-	-	-	-
- Non-performing							-
- Doubtful							-
- Restructured							-
- Impaired past due							-
Total A	**5,157**	**1,472**	**10,587**	**3,753**	**19**	**-**	**20,988**
B. PERFORMING ASSETS:	481,732	179,219	363,669	27,357	19,572	-	1,071,549
- Unimpaired past due	115,527	50,037	64,274	5,570	669		236,077
- Other	366,205	129,182	299,395	21,787	18,903		835,472
Total B	**481,732**	**179,219**	**363,669**	**27,357**	**19,572**	**-**	**1,071,549**
Total (A+B)	**486,889**	**180,691**	**374,256**	**31,110**	**19,591**	**-**	**1,092,537**

3.3 Large exposure

	31.12.2014
a) nominal amount of large exposure	1,684,892
a) weighted total of large exposure	745,525
c) number	21

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

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

	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	1,577,189,293	132,214,343	321,101,900	42,098,378	-	-	-
1.1 Debt instruments			9,589,489				
1.2 Loans and receivables	1,574,060,652	132,214,343	306,013,743	42,082,166	-	-	
1.3 Other assets	3,128,641	-	5,498,668	16,212			-
2. Liabilities	(1,733,913,274)	(200,000,000)	(3,608,309)	(31,757)	-	-	-
2.1 Financial liabilities	(1,707,189,706)	(200,000,000)					
2.1 Debt instruments							
2.3 Other liabilities	(26,723,568)	-	(3,608,309)	(31,757)			-
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	**104,217**	**101,807**	**15,447**	**3,438**	**276**	**13**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-	-
1.3 Loans and receivables	104,217	101,807	15,447	3,438	276	13	-
1.4 Other financial assets	-	-	-	-	-	-	-
2. Other assets	-	**1,119**	-	-		-	-
3. Financial liabilities	**102,708**	**102,535**	**15,314**	**2,954**	**230**	-	**3**
3.1 Financial liabilities	102,708	102,535	15,314	2,954	230		3
3.2 Debt instruments	-	-	-	-	-	-	-
3.3 Other financial liabilities			-		-	-	-
4. Other liabilities	**3,090**	**210**		**428**		-	-
5. Derivatives	-	-	-	-	-	-	-
5.1 Long positions	-	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-	-
Total assets	**104,217**	**102,926**	**15,447**	**3,438**	**276**	**13**	**-**
Total liabilities	**105,798**	**102,745**	**15,314**	**3,382**	**230**	**-**	**3**
Unbalance (+/-)	**(1,581)**	**181**	**133**	**56**	**46**	**13**	**(3)**

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.

2 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.

2.1 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 27) 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). On 17 June 2014, UBI Factor's Board of Directors approved the utilisation of the advanced measurement approach.

Subsequent to this resolution and following the instructions received from the parent in December and addressed to all companies included in the existing roll-out plan, implementation was extended to 31 December 2015, informing UBI Factor's Board of Directors thereon during its meeting of 16 December 2014.

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.
- 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 above positions are assigned automatically when they correspond with the appointment of a manager (even on an “ad interim” basis) of a structure where the operational risk management system provides for such position. The identification of structures and the list of the people which, from an organisational point of view, are not in charge of organisational units to which the role of Risk Champion and/or Risk Owner can be assigned, is the responsibility of the Operational Risk Manager assisted by the Local Operational Risk Support. The configuration of roles is subsequently approved during the first Board’s meeting held after the notification of the changed organisational chart though a specific Board’s resolution and finally published in the company’s body of rules.
In order to facilitate management of operational losses, the Local Operational Risk Support and the Risk Champion may be assisted by one or more Delegates to whom the operational tasks are transferred, except for the responsibility or burden of control which remains the sole responsibility of the delegating body.
Furthermore, starting from 26 May 2014, following the centralisation of UBI Factor’s administration and budgeting, planning and control activities with the parent, management of the operational losses related to these activities is carried out by in service by the Risk Champions and the Risk Owners identified within the parent’s Administration and tax area. Moreover, UBI Banca – UBI Factor’s Administration and Budging function carries out in service the role of “Accountant” (responsible for ensuring correct and complete recognition of operational losses).
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.

2.2 Risk management, measurement and control

Risk classification

Operational risk events are classified in accordance with the “UBI Banca Group’s operational risk management policy” and the related “Implementing Regulation”, both approved by UBI Factor’s Board of Directors and in line with regulatory capital requirements.

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 2014 with the support of the parent and the results, which are substantially line with 2013, did not highlight any critical issues, except for some mitigation measures included in the activities scheduled for 2015.

QUANTITATIVE INFORMATION

In 2014, loss data collection activities showed operating losses of €138 thousand (including pure losses of €49 thousand and overlapping credit risk of €89 thousand).

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.

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	321,965	-	-	344,447	910,778	132,214	321,102	42,098	-	-	-
A.1 Government bonds											
A.2 Other debt instruments							9,589				
A.3 Loans	321,611	-	-	342,307	910,143	132,214	306,014	42,082	-	-	-
Banks	38,268										
Customers	283,343			342,307	910,143	132,214	306,014	42,082			-
A.4 Other assets	354			2,140	635		5,499	16			-
Liabilities	(757,605)	-	(450,000)	(349,147)	(177,162)	(200,000)	(3,608)	(32)	-	-	-
B.1 Financial liabilities to:	(738,408)	-	(450,000)	(348,782)	(170,000)	(200,000)	-	-	-	-	-
- Banks current accounts	(58,358)										
- Banks loans	(675,617)		(450,000)	(348,782)	(170,000)	(200,000)					
- Financial institutions											
- Customers	(4,433)										
B.2 Debt instruments											
B.3 Other liabilities	(19,197)			(365)	(7,162)		(3,608)	(32)			-
Off-statement of financial position	210,357	-	-	-	-	-	-	-	-	-	-
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	209,892	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions	209,892										
C.5 Financial guarantees given	465										
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	315.641	-	-	310.442	763.058	114.302	293.448	42.082	-	-	-
A.1 Government bonds											
A.2 Other debt instruments							-				
A.3 Loans	315.287	-	-	308.302	762.424	114.302	287.949	42.082	-	-	-
Banks	32.125										
Customers	283.162			308.302	762.424	114.302	287.949	42.082			-
A.4 Other assets	354			2.140	634		5.499				-
Liabilities	(738.781)	-	(450.000)	(140.508)	(177.152)	(200.000)	(3.608)	(32)	-	-	-
B.1 Financial liabilities to:	(723.200)	-	(450.000)	(140.246)	(170.000)	(200.000)	-	-	-	-	-
- Banks current accounts	(43.150)										
- Banks loans	(675.617)		(450.000)	(140.246)	(170.000)	(200.000)					
- Customers	(4.433)										
B.2 Debt instruments											
B.3 Other liabilities	(15.581)			(262)	(7.152)		(3.608)	(32)			-
Off-statement of financial position	210.357	-	-	-	-	-	-	-	-	-	-
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	209.892	-	-	-	-	-	-	-	-	-	-
- Long positions											
- Short positions	209.892										
C.5 Financial guarantees given	465										
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	181	-	-	17.570	70.054	7.648	8.200	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	181	-	-	17.570	70.054	7.648	8.200	-	-	-	-
Banks											
Customers	181			17.570	70.054	7.648	8.200				-
A.4 Other assets											
Liabilities	(10.226)	-	-	(95.572)	-	-	-	-	-	-	-
B.1 Financial liabilities to:	(7.136)	-	-	(95.572)	-	-	-	-	-	-	-
- Banks current accounts	(7.136)										
- Banks loans				(95.572)							
- Customers											
B.2 Debt instruments											
B.3 Other liabilities	(3.090)										
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	3.338	-	-	14.211	66.438	8.792	8.506	16	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	3.338	-	-	14.211	66.438	8.792	8.506	-	-	-	-
Banks	3.338										
Customers	-			14.211	66.438	8.792	8.506	-			-
A.4 Other assets								16			
Liabilities	(7.937)	-	-	(94.798)	(9)	-	-	-	-	-	-
B.1 Financial liabilities to:	(7.840)	-	-	(94.695)	-	-	-	-	-	-	-
- Banks current accounts	(7.840)										
- Banks loans				(94.695)							
- Customers											
B.2 Debt instruments											
B.3 Other liabilities	(97)			(103)	(9)						
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	2.529	-	-	18	865	11	10	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	2.529	-	-	18	865	11	10	-	-	-	-
Banks	2.529										
Customers	-			18	865	11	10				-
A.4 Other assets											
Liabilities	(429)	-	-	(2.954)	-	-	-	-	-	-	-
B.1 Financial liabilities to:	-	-	-	(2.954)	-	-	-	-	-	-	-
- Banks current accounts	-										
- Banks loans				(2.954)							
- Customers											
B.2 Debt instruments											
B.3 Other liabilities	(429)										
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: 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	264	-	-	2.167	10.177	1.435	1.323	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	264	-	-	2.167	10.177	1.435	1.323	-	-	-	-
Banks	264										
Customers	-			2.167	10.177	1.435	1.323				-
A.4 Other assets											
Liabilities	-	-	-	(15.314)	-	-	-	-	-	-	-
B.1 Financial liabilities to:	-	-	-	(15.314)	-	-	-	-	-	-	-
- Banks current accounts											
- Banks loans				(15.314)							
- 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: 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	-	-	-	39	185	26	24	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	-	-	-	39	185	26	24	-	-	-	-
Banks											
Customers	-			39	185	26	24				-
A.4 Other assets											
Liabilities	(230)	-	-	-	-	-	-	-	-	-	-
B.1 Financial liabilities to:	(230)	-	-	-	-	-	-	-	-	-	-
- Banks current accounts	(230)										
- Banks loans											
- 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	13	-	-	-	-	-	-	-	-	-	-
A.1 Government bonds											
A.2 Other debt instruments											
A.3 Loans	13	-	-	-	-	-	-	-	-	-	-
Banks	13										
Customers	-										
A.4 Other assets											
Liabilities	(3)	-	-	-	-	-	-	-	-	-	-
B.1 Financial liabilities to:	(3)	-	-	-	-	-	-	-	-	-	-
- Banks current accounts	(3)										
- Banks loans											
- 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	-	-	-	-	-	-	-	-	-	-	-

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 31.12.2014	Amount at 31.12.2013
1. Share capital	36,116	36,116
2. Share premium	2,066	2,066
3. Reserves	97,232	89,890
- income-related	89,017	81,675
a) legal reserve	7,223	7,223
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	81,794	74,452
- other	8,215	8,215
4. (Treasury shares)		
5. Valuation reserves	(510)	(359)
- 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	-	-
- Actuarial gains/losses on defined benefit plans	(510)	(359)
- Portion of valuation reserves of equity-accounted investees	-	-
6. Equity instruments		
7. Profit for the year	8,174	7,342
Total	**143,078**	**135,055**

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 the Bank of Italy.

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).[6]

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

[6] 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.

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.

4.2.1.2 Quantitative information

	Total at 31.12.2014	Total at 31.12.2013
A. Tier 1 capital before the application of prudential filters	**137,320**	**135,367**
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)	137,320	135,367
D. Elements to be deducted from Tier 1 capital	-	-
E. Total tier 1 capital (C-D)	137,320	135,367
F. Tier 2 capital before the application of prudential filters	(510)	(359)
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)	(510)	(359)
I. Elements to be deducted from Tier 2 capital	-	-
L. Total tier 2 capital (H-I)	(510)	(359)
M. Elements to be deducted from Tier 1 and Tier 2 capital		
N. Required capital (E+L-M)	136,810	135,008
O. Tier 3 capital		
P. Required capital including Tier 3 capital (N+O)	136,810	135,008

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

The regulatory capital requirements issued by the Bank of Italy ("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.

Starting from 26 May 2014, UBI Factor's risk management activities have been centralised with the relevant function of the Chief Risk Officer of the parent UBI Banca.

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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardised method	2,171,415	2,459,206	1,646,272	1,774,090
2. IRB method				
2.1 Basic				
2.2 Advanced				
3. Securitisation				
B. CAPITAL REQUIREMENTS				
B1 Credit and counterpary risk			98,776	106,445
B.2 Market risk				
1. Standard method				
2. Internal models				
3. Concentration risk				
B.3 Operational risk				
1. Basic method				
2. Standardised method			7,065	7,433
3. Advanced method				
B.4 Other prudential requirements				
B.5 Other calculation elements			(26,460)	(28,470)
B.6 Total prudential requirements			79,381	85,409
C. RISK ASSETS AND CAPITAL RATINGS				
C.1 Risk-weighted assets			1,323,017	1,423,480
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			10.38%	9.51%
C.3 Regulatory capital including Tier 3/Risk-weighted assets (Total capital ratio)			10.34%	9.48%

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 Bank of Italy 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
Profit for the year	12,244	(4,070)	8,174
Other comprehensive income without reversal in profit or loss			
Property and equipment			
Intangible assets			
Defined benefit plans	(209)	58	(151)
Non-current assets held for sale			
Portion of valuation reserves of equity-accounted investees			
Other comprehensive income with reversal in profit or loss			
Hedges of investments in foreign operations:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
Exchange rate gains (losses):			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
Cash flow hedges:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
Available-for-sale financial assets:			
a) changes in value			
b) reclassification to profit or loss			
- impairment losses			
- gains/losses on sales			
c) other changes			
Non-current assets held for sale:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
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			
Total other comprehensive income (expense)	(209)	58	(151)
Comprehensive income (expense) (Caption 10+130)	**12,035**	**(4,012)**	**8,023**

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 31.12.2014	Total at 31.12.2013
Directors	97,688	103,243
Statutory auditors	162,635	133,702
Managers	791,848	750,451

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	37,079,089	1,890,709,482	(8,588,013)	455,166
Group companies				
Banco di Brescia	601,987	17,237,658	(1,569,745)	11,149
Banca Regionale Europea	843,153	745,297	(4,404,638)	3
Banca Valle Camonica	742,225	84,109	(321,929)	1,060
UBI International	938,831	18,230	(48,911)	133,292
UBI Banca Private Investment	71,130	-	-	-
UBI Leasing	28,295	-	-	111,673
UBI Sistemi Servizi	-	264,625	(633,194)	-
Banca Popolare Bergamo	630,146	1,272,209	(3,823,373)	1,027
Banca Popolare Commercio Industria	2,037,708	330,880	(1,334,848)	17,595
Banca Popolare Ancona	362,329	58,327	(234,418)	-
Banca Carime	495,605	4,206	(8,012)	-
Prestitalia	-	-	-	26,549
UBI Academy	-	1,769	(4,638)	-

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.

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 2014, 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.	
- 2014 annual report			138,465
- Review of half-year reporting package			28,500
Attestation services:			
- UNICO, IRAP, simplified and ordinary 770 tax forms	KPMG S.p.A.	UBI Factor S.p.A.	3,225
- 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.	15,385
- Analysis of transfer pricing documentation	KPMG Tax M.Michna Sp.k.	UBI Factor S.p.A.	6,091
Other services:			-
Total			**201,666**

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 the Bank of Italy 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 2013 **(amounts in thousands of Euros).**

ASSETS

Cash and cash equivalents	151,927
Financial assets held for trading	3,191,080
Financial assets at fair value through profit or loss	208,143
Available-for-sale financial assets	14,753,276
Held-to-maturity investments	3,086,815
Loans and receivables with banks	13,487,366
Loans and receivables with customers	25,168,913
Hedging derivatives	215,310
Adjustments to financial assets subject to generic hedge	5,418
Equity investments	10,608,614
Non-current assets	651,152
Tax assets	1,727,626
Non-current assets held for sale and discontinued operations	2,329
Other assets	656,676
Total assets	**73,914,645**

LIABILITIES AND EQUITY

Due to banks	24,285,811
Due to customers and securities issued	37,435,005
Financial liabilities held for trading	1,531,436
Hedging derivatives	377,702
Tax liabilities	323,144
Other liabilities	631,076
Post-employment benefits	40,166
Provisions for risks and charges	58,488
Equity	9,160,477
Profit for the year	71,340
Total liabilities and equity	**73,914,645**

INCOME STATEMENT

Net interest income	119,390
Net fee and commission income	5,239
Dividends	247,205
Total	604,778
Net financial income	376,297
Operating costs	(234,458)
Net gains on equity investments	(316,397)
Pre-tax profit from continuing operations	(174,551)
Income taxes	245,891
Profit for the year	**71,340**