FINANCIAL STATEMENT

2017

La tua banca per la vita

VIVIBANCA

La tua banca per la vita

2017 FINANCIAL STATEMENT

COMPANY DETAILS

VAT NO. 04255700652 – TURIN REA (*REGISTRO ECONOMICO AMMINISTRATIVO* [ECONOMIC & ADMINISTRATIVE INDEX]) NO. 1228616

Share capital approved, subscribed, and paid up: 31,397,751.00 Euro
Registered under no. 5647 in the Italian Register of Banks
ABI Code 05030
Member of the Fondo Interbancario di Tutela dei Depositi [Italian Interbank Deposit Protection Fund]

COMPOSITION OF THE ADMINISTRATIVE BODIES

BOARD OF DIRECTORS

Chairman	Giuseppe Mazzarello
Deputy Chairman	Paolo Avondetto
Managing Director and CEO	Germano Turinetto
Directors	Pierluigi Bourlot Marina Damilano Guido Galavotti (independent) Claudio Marcello Girardi Ludovico Emiliano Resta (independent) Nicoletta Ughetto (independent)
Deputy Managing Director and CEO	Antonio Dominici

BOARD OF STATUTORY AUDITORS

(The Board of Statutory Auditors is entrusted with the control duties and tasks set forth under Legislative Decree 231/2001)

Chairman	Franco Vernassa
Statutory auditors	Donato Carone Francesco Rocchi
Deputy auditors	Daniela Bainotti Giuseppe Desiderato

REMUNERATION COMMITTEE

Chairman	Paolo Avondetto
Members	Marina Damilano Claudio Marcello Girardi

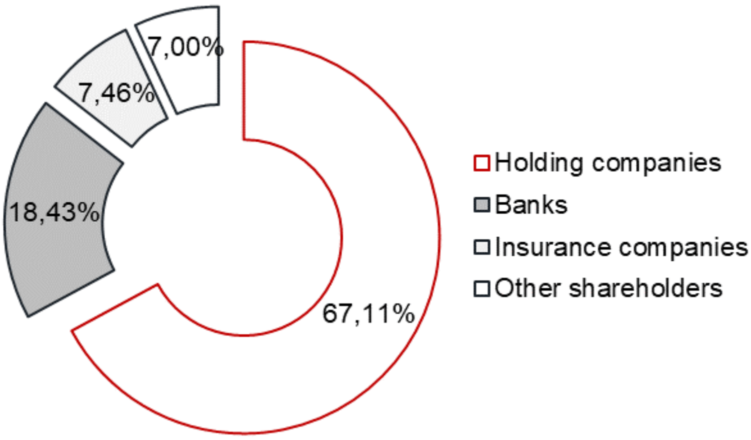
RELATED PARTIES COMMITTEE

Chairman	Guido Galavotti
Members	Marina Damilano Nicoletta Ughetto

INDEPENDENT AUDIT FIRM

BDO Italia SpA

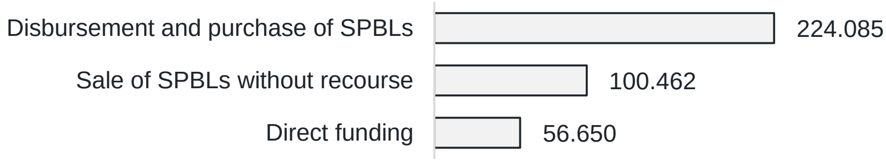
SHAREHOLDING STRUCTURE At 31/12/2017



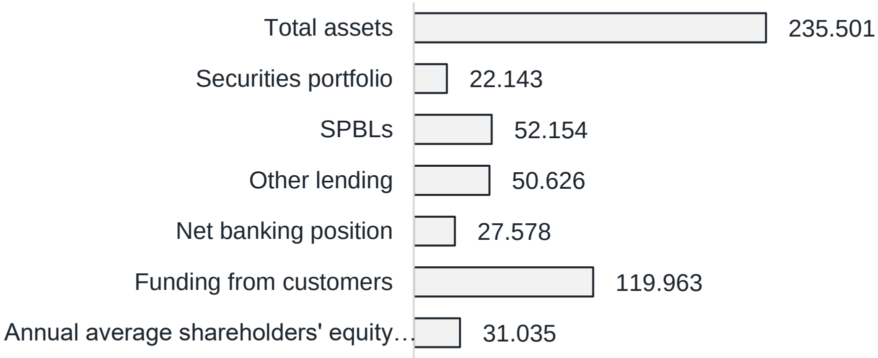
Shareholder	% Stake	No. of Shares
Vega Management SpA*	32.57%	10,225,423
Finandrea SpA*	18.17%	5,705,524
Compagnie Financiére Saint Exupery SA – SICAV *	16.37%	5,140,871
Banca Popolare di Bari ScpA	9.90%	3,109,877
Banca Alpi Marittime Credito Cooperativo di Carrù ScpA	8.53%	2,677,041
Gruppo Net Insurance SpA	7.46%	2,342,415
Other shareholders	7.00%	2,196,600
Total		**31,397,751**

**Shareholder agreement*

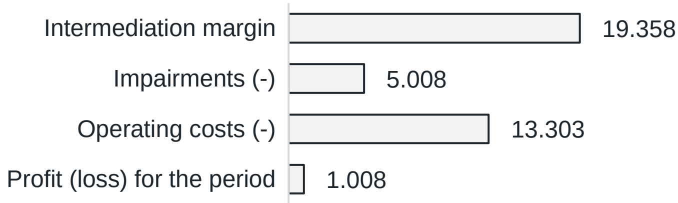
2017 CASH FLOWS
(€/000)



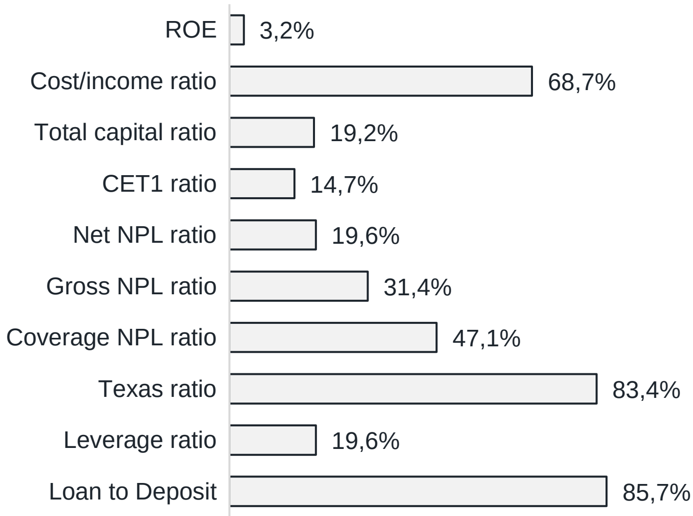
BALANCE SHEET FIGURES 31/12/2017
(€/000)



INCOME STATEMENT FIGURES 31/12/2017
(€/000)



KEY INDICATORS 31/12/2017



CONTENTS

REPORT ON OPERATIONS

Dear Shareholders,

The 2017 annual financial statements, which we submit to your attention, are comprised of a balance sheet, an income statement, a statement of comprehensive income, a statement of changes in shareholders' equity, a cash flow statement, and the summary explanatory notes.

This are the first annual financial statements prepared by ViViBanca, which was established in April 2017 following the reverse merger by incorporation of Terfinance into Crediter, as described later on in this report.

A – Macroeconomic scenario

Global overview

2017 was a year characterised by the consolidation and strengthening of economic growth, experienced to different extents in all the main regions of the world in both advanced and developing countries.

In the short term, the outlook remains favourable despite the presence of economic risks (low inflation, interest rate performance, monetary policies, market volatility) and geopolitical risks (situation North Korea and the Middle East, political instability in certain European countries, the effects of Brexit, etc.).

World GDP grew by 3.7% in 2017 (3.6% in the previous year), largely as a result of the contributions of economies of advanced countries. Only China (+6.7%) and India (+6.7%) experienced rates higher than those achieved in the United States (+2.3%) and the Euro area (+2.7%).

The strong growth in trading (estimated to have increased by +5.4%) played a fundamental role in the brilliant economic results seen in 2017, while inflation remained low in the major advanced economies and in developing countries.

Risks nevertheless continue to persist in the global economy, primarily tied to a possible increase in the volatility of financial markets associated with an intensification of geopolitical tension (North Korea and the Middle East were the most heated, dangerous areas) and uncertainties regarding economic policy, which could negatively affect confidence among households and businesses (the greatest elements of uncertainty include the outcome of Brexit, NAFTA renegotiations, tariffs on international trade, and restrictive monetary policies).

The Euro area

Growth continued at a sustained pace in the Euro area, driven notably by foreign demand. Inflation remained modest (annual average of 1.5%), reflecting a fundamental weakness concentrated largely on domestic consumption, which was influenced by slow growth in wages.

The GDP nevertheless grew by 2.4%, with an upward revision compared to the previous estimate in September.

In its October meeting, the Governing Council of the ECB recalibrated the monetary policy instruments, while reiterating that a certain level of monetary accommodation remains necessary to sustain economic growth and to facilitate a stable return of inflation toward levels nearing 2%; interest rates remained unchanged, and are forecasted to remain at current levels for an extended period.

At year end, the value of public sector securities purchased by Eurosystem within the context of the Asset Purchase Programme equalled 1,898 billion Euro, the value of covered bank bonds equalled 242 billion Euro, and the value of asset backed securities and corporate bonds respectively equalled 25 and 133 billion Euro.

Within this context, the value of Italian public sector securities purchased totalled 327 billion (294 billion purchased by the Bank of Italy).

Italy

National and foreign demand contributed to an acceleration of economic activity in the third quarter of 2017. The same phenomenon occurred again in the fourth quarter, resulting in growth that reached +1.5% in 2017: lower than the average seen in the Euro area but a clear improvement on previous years. Domestic demand, stimulated in particular by capital investments and exports, contributed in equal measure to this growth, as did the high exchange rate levels achieved by the Euro (though Italian exports largely took place inside the common market).

Turning to the individual sectors: the services sector remained stable, while value added rose in manufacturing (which, notwithstanding everything, remains one of our country’s strengths) and construction, which finally registered a significant recovery after years of strong recession.

Household expenses continued to grow in equal measure to the propensity to save, notably due to the improvement in consumer confidence levels, which were likewise supported by the increase in disposable income.

Another positive household indicator: the debt to disposable income ratio, which fell to 61% as compared to the 94.1% average in the Euro area, demonstrating the consolidated virtuosity of Italians, at least in this field. Again in relation to the GDP, debt ratio for Italian families was lower than the average for the Euro zone (41.4%, as compared to 57.9%), an aspect that at least partially offset the primacy of the public debt-to-GDP ratio (131.6%).

On the labour market, the unemployment rate fell by 12.2% to 10.5%. However, the greater part of this improvement, manifested in the first half of the year, was ascribable to fixed-term employment, which was affected at year end by the corporate strategy of awaiting the new tax relief provided under the 2018 Stability Law, given that it likely had the effect of postponing new hirings to 2018 in order to benefit from the incentives.

Lastly, the performance of consumer price inflation remained weak (1.3%): below the levels anticipated by the ECB, with low expectations continuing into 2018 in line with the previous year.

B – Sector performance

The financial market

2017 reported a decrease in average yield differentials between Italian and German government securities. Contributing to this was economic growth and the favourable reaction of market operators to the restructuring of monetary policy instruments announced by the ECB. An increase in share prices also continued and was primarily driven by the automotive sector.

In particular, since the beginning of 2017 Q4, yields on Italian government securities decreased by 13 basis points, reaching 1.98% for ten-year securities with a spread of 140 points as compared to German government securities (-25 basis points).

The stock exchange prices of Italian banks increased by 26.5% in 2017, against a general stock market index of 21.8%; conversely, bank CDS premiums decreased on average by 28 basis points in Q4, notably due to improvements in the quality of credit and capital ratios.

The banking market

Lending to the private sector continued to expand in 2017, while corporate demand for bank credit, supported by the recovery of investments, was limited by the widespread availability of internal resources and a greater use of corporate bond issues at particularly favourable rates.

Rates remained stable at levels that are still very contained and even trend toward a decrease, particularly in the household mortgage segment.

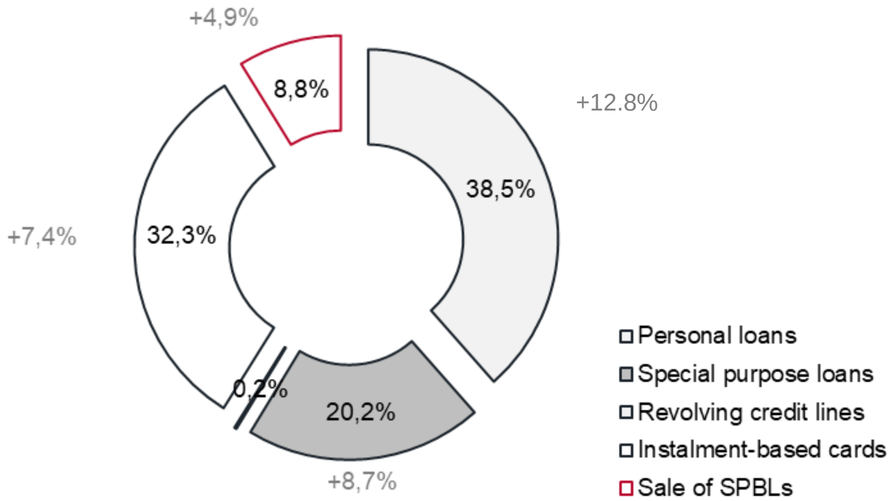
Credit quality has continued to improve, and was obviously supported by the continuing economic recovery. The incidence of impaired loans on total lending decreased, both gross and net of adjustments. This change is largely attributable to the sale of non-performing loans, already heavily written down, performed by many banking groups.

An improved performance was also observed in this sector, achieving an annualised return on capital and reserves of 4.4% excluding extraordinary items (1.4% in 2016). This trend is derived from the combined effect of growth of other revenue (notably trading revenue and net commissions and fees), reduced operating costs, and a decrease in impairments, which have more than offset the decrease in the interest margin.

The quality of capital likewise improved, with a CET1 to risk-weighted assets ratio of 13.2% for the major groups at the end of September.

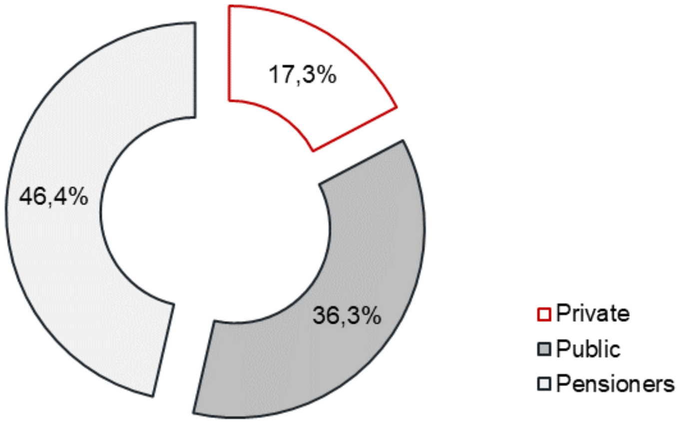
The consumer credit and salary-backed loans market

With reference to the 2017 figures, a growth in volume was recorded in the consumer credit segment as a whole, at +9.5% compared to 2016 (+10.3% in terms of the number of operations financed). The table below summarises the trend in the use of consumer credit in terms of weight of the individual segments as compared to total volumes, equal to 58.1 billion Euro, with growth recorded over the previous year by individual sector:



With regard more specifically to the market of salary/pension-backed loans, our sector of reference, the volumes of new disbursements reached 5.1 billion Euro, with an increase of +4.9% over the previous year, substantially deriving from a 4.1% increase in the average ticket, from 17 thousand Euro to 17.7 thousand Euro, considering that the number of operations was practically unchanged at 287,249 (+1.0%).

Customer composition is outlined in the table below, which highlights the predominance of the pensioners category at 46.4%.



Total lending levels in this segment amounted to 16.7 billion Euro at the end of 2017, an increase of 8.9% over 2016, and represented 17.4% of the entire consumer credit market (96 billion Euro). It should be noted that, although annual flows were lower in this segment than in the other consumer credit segments, lending levels in this segment were represented by a larger percentage due to the type of lending, which has an average duration that is longer than with other forms of lending.

With respect to market structure, a progressive increase was observed in the portion of disbursements controlled by banks, through its own channels or through captive companies (cross-selling process).

C – Commercial policy

Lending

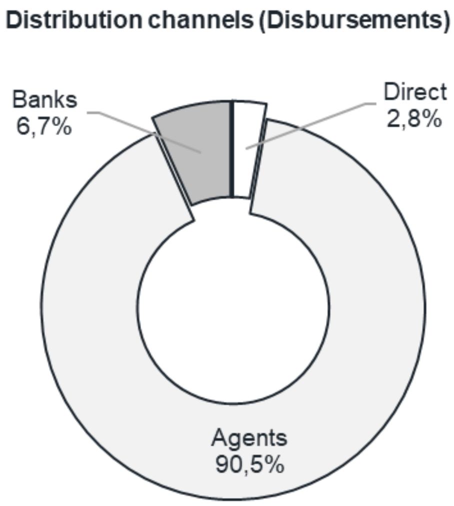
The bank used its funding in 2017 primarily for the disbursement of loans to customers in the form of salary-backed loans and payment delegation loans, lending a total of 224 million, an increase of 97.0% from the previous year, as outlined below:

	Volumes 000/€*				No. of transactions			
	2017	2016	Change	%change	2017	2016	Change	%change
SPBLs:	**224.085**	**113.753**	**110.332**	**97,0%**	**11.903**	**5.259**	**6.644**	**126,3%**
- disbursements	141.759	105.704	36.055	34,1%	6.192	4.740	1.452	30,6%
- purchases	82.326	8.049	74.277	922,8%	5.711	519	5.192	1.000,4%

**figures expressed in terms of volumes loaned*

**in addition to the volumes recorded on the books, the bank intermediated SPBLs having a counter-value of 1.3 million Euro in 2017 (not calculated in the table, given their nature).*

This result enabled the bank to acquire a market share of 4.4% of annual disbursements by specialised operators in the segment.



In terms of **direct disbursements**, the foundation for the growth outlined in the 2018-2020 Industrial Plan was laid in the final quarter of 2017.

Commercial policies will be implemented through a strengthening and stimulation of the growth of established agents, through the stipulation of new agency agreements to cover areas less developed, and through a strengthening of the commercial segment dedicated to direct production.

2018 will focus on consolidation of the ViViBanca Network brand, with the offices of all financial agents displaying the bank's signs and colours.

To this end, and with a view to providing greater commercial support to the sales networks, exclusive agreements will be stipulated for the production of leads and for online marketing of the ViViBanca brand.

Within the context of strengthening and diversifying the production and commercial channels, we report that an important distribution framework agreement has been concluded with the Iccrea Group, which holds nearly 300 cooperative banks with more than 4,000 branches. This agreement generated positive results even in the last four months of 2017, and will generate the greatest effect in 2018 through the alignment of activities preparatory to the proper operation of procedures.

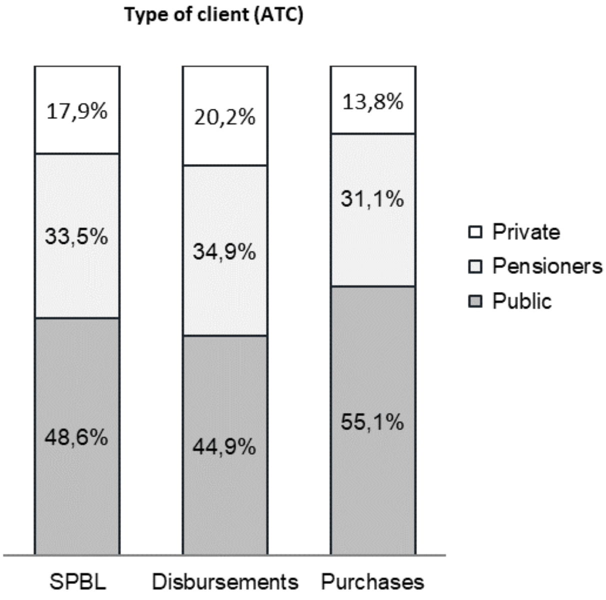
Relations with banking partners Banca Popolare di Ragusa and Banca Valsabbina di Brescia are also in a consolidation phase, with continuous support to their networks with a view to offering the customers of these banking institutions even better services and clear, transparent consulting.

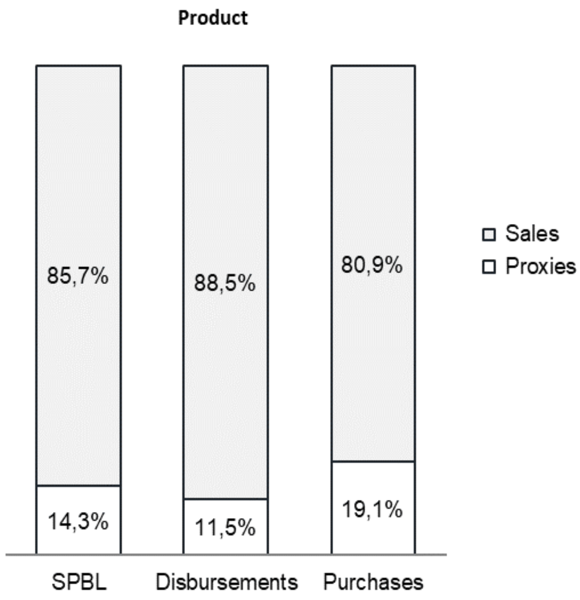
In 2018, ViViBanca also plans to provide incentives for the offering of products of considerable interest to the market: advances on end-of-service pay, which involve granting an advance to new pensioners who are former employees of the State and public officials on the majority of their severance pay, which INPS disburses during the three-year period after retirement.

Within the context of completion and maintenance of the catalogue of household credit products, the bank will stipulate new commercial agreements for the distribution of personal loans and third party residential mortgage loans.

At the end of 2017, ViViBanca concluded a purchase operation on a portfolio of receivables from salary-backed loans with Banca Popolare di Bari, pertaining to 5,711 positions for a nominal value of 82.3 million Euro. This was an extraordinary operation and followed in the wake of smaller purchase operations carried out by other counterparties in 2016 and the first part of 2017.

The large increase in volumes recorded on the books did not influence the composition by type of borrower and by type of bank operation; this composition is characterised by low risk exposure, as highlighted below:





The remainder of the loans portfolio on the books, and therefore the current accounts, mortgages, financial lease agreements, personal loans, and other forms of lending has been subject to management only, rather than commercial development, with a view to a gradual divestment of these activities as non-core activities. The demand for credit products of this nature will be met through product offerings made by third parties, within a context of pure intermediation.

Funding and revaluation of the net financial position

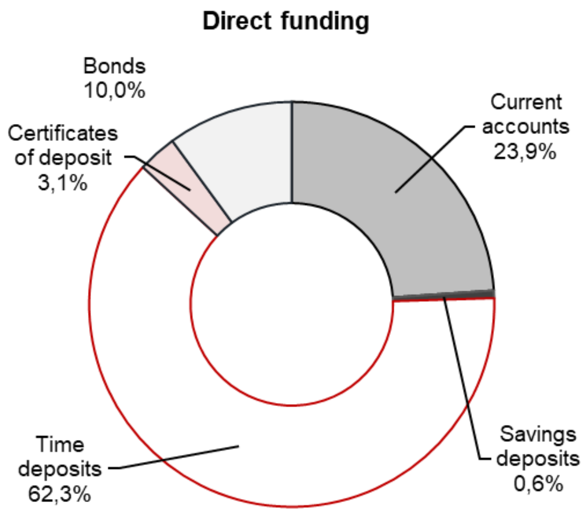
The merger between a financial company, which contributed a predominantly short-term debt, and a bank with a diversified funding situation led to a need for measures to balance the debt mixture, duration, and cost as of the time of completion of the merger. In particular, non-revolving bank credit lines (former Terfinance) have been converted to interbank market transactions with a maturity of 3 to 6 months and transformed into time deposits, outstanding shareholder loans have restricted, and purchases have been made of government securities, to be used as HQLAs to guarantee compliance with the regulatory thresholds established for the various financial indicators (LCR, NSFR, LTD, etc.). In the second part of the financial year, as a result of the increase in direct funding, the revocation of all outstanding credit lines was completed, with their resulting transformation into reciprocal interbank lines usable on request.

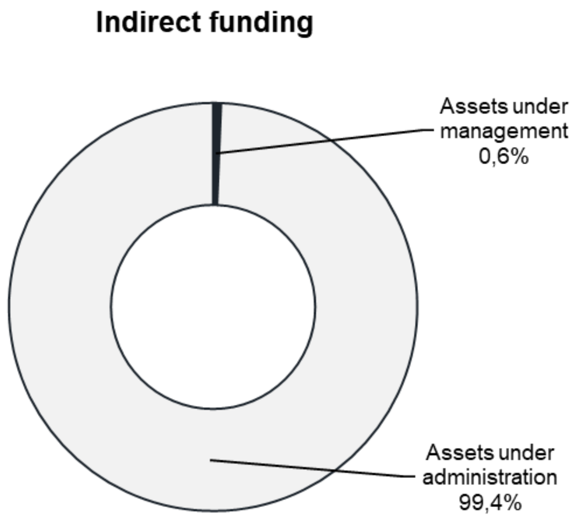
At the same time, internal procedures were changed for all transactions involving the former Terfinance (settlement of open files, business payments, collection of funds) to allow for transfer onto the IT platform of the former Crediter, thereby eliminating external costs, and accounts were closed with the banks, with the exception of those with remaining funds collected from ATCs, to which account change notifications were sent with instructions for ordering fund transfers, with the final objective of keeping to a minimum any operations (repayments to transferees, interest payments, etc.) that would still require a dedicated account.

In its first year of operation, ViViBanca increased funding by 101% compared to 31 December 2016 and sought to give preference to restricted time deposits with the objective of stabilising funding sources and, at the same time, consolidating the cost of funding in relation to returns on lending.

	2017	2016 Proforma	Change	% change
Funding	**137.678**	**68.563**	**69.115**	**100,8%**
Direct	119.962	63.313	56.649	89,5%
Indirect	17.716	5.250	12.466	237,4%

Below, we provide the composition of funding by type for the 2017 financial year:





The funding objectives achieved have enabled ViViBanca to create:

- an adequate interest rate mix (in line with the cost forecast in the action plan);
- stable funding volumes, higher than the established objective, through development of the physical network pending creation of the online accounts platform, completed at the end of 2017;
- a diversified breakdown of time deposits by due date;
- a broad composition in terms of the territorial origin of depositing customers (Piedmont/Lombardy/Campania).

In the first months of 2018, funding activities will begin through online deposit accounts, which will allow ViViBanca to increase funding in a granular manner, using a pricing strategy calibrated in function of volume and duration objectives for the development of lending targets established in the Industrial Plan.

D - Significant events of the period

The founding of ViViBanca

2017 was characterised by successful completion of the acquisition and reverse merger between Terfinance and Credito Salernitano, which resulted in a new bank named ViViBanca.

The operation, which began in June 2016 and ended mid-April 2017, can be summarised as follows:

- in early July 2016, after reaching an agreement on a potential business combination, Terfinance and Crediter, formerly Credito Salernitano, signed a memorandum of understanding concerning the combination of the two companies, to be carried out through a capital increase by the bank, the majority stake of which was reserved for Terfinance, followed by a reverse merger;

- in August, the requests for the necessary authorisations were sent to the Bank of Italy and the ECB; in mid-October, an extraordinary meeting of Creditor decided to decrease the capital following a loss of 2 million Euro, to transform the company from a “region-based” type to a “company limited by shares”, and to increase the capital by 8 million Euro, of which 6 million Euro were reserved for Terfinance and 2 million Euro for the former shareholders of the bank;

- in December, the Bank of Italy and the European Central Bank issued their authorisations and Terfinance proceeded, in the same month, with the subscription of its 6 million Euro stake in the share capital increase;

- in January 2017, the capital increase was completed; the stake not subscribed by the bank's shareholders, equal to 1.8 million Euro, was covered directly by certain shareholders of Terfinance;

- in March 2017, the respective shareholders' meetings approved the draft merger and the change of company name to ViViBanca SpA. The deed of merger was signed in April 2017, in tandem with ViViBanca shareholder approval of the annual financial statements of the two former companies and subsequent appointment of the new Board of Directors and Board of Statutory Auditors.

This process ended with achievement of the objective pursued with resolve by Terfinance shareholders and management, culminating in the establishment of a strong, specialised bank with assets worth 32 million Euro, 86 employees, 2 branches, and 70 agencies providing financial services.

The objective of ViViBanca is the further development and strengthening of an independent financial institution specialised in household loans and operating throughout all of Italy, offering its customers easy-to-use products and simplified banking services while remaining primarily focused on the disbursement of salary-backed loans.

Within a national and European context characterised by the merger of operators and significant regulatory and market changes, the bank is poised to become a reference point in this segment.

Conclusion of the "Eridano SPV" securitisation programme

A period initiated by Terfinance in May 2016 involving the sale of traditionally securitised performing loans was concluded in November 2017. The operation was carried out through the monthly sale of portfolios with specific eligibility criteria, against a consideration and over a ramp-up period (i.e., an incremental sale of loans) of 19 months. This operation was structured by the bank with a view to obtaining a capital release and to diversifying its funding sources at the same time.

In July 2017, activities were concluded to obtain a rating on the Senior notes (Class A), to which Moody's and DBRS assigned a respective rating of Aa2 and A (high). At the same time, the notes were listed on the Luxembourg Stock Exchange. The assigned ratings are an excellent achievement, and are among the highest achieved in Italy to date within the context of analogous operations.

Overall, 193 million Euro in loans have been sold, against which the Eridano SPV, established in accordance with Law 130/99, issued partly paid Asset Backed Securities (ABS) subdivided into two classes:

- Senior Notes (Class A), with a variable rate (1M Euribor with a floor of -25 bps +150 bps), equal to 87% of the outstanding and having a nominal value of 200 million Euro, subscribed by Natixis Bank during the ramp-up phase for the portion exceeding the vertical slice and subsequently placed on the market.

- Junior Notes (Class J), with a variable rate, equal to 13% of the outstanding, issued for a nominal value of 65 million Euro and subscribed by third party investors for the portion exceeding the vertical slice.

In conformity with the above-mentioned vertical slice retention rule, ViViBanca retained a net economic interest in the operation at 31/12/2017 equal to 5.051% of the value of the notes issued.

Issue of a new Lower Tier II subordinated bond

In order to have the resources to take advantage of growth opportunities on external lines that may arise, either in terms of the acquisition of investment stakes in companies operating in the salary and pension-backed loans sector, or more simply to purchase loans portfolios of this nature from other companies, as it did in 2017, the bank decided to strengthen its regulatory capital through the issue of a Lower Tier II subordinated bond, the primary characteristics of which are summarised below:

- Amount: 70 bond certificates with a nominal value of 100,000 Euro each, for a total value of seven million Euro;

- Subscribers: intended exclusively for qualified investors;

- Duration: issued on 30 November 2017, with a ten-year duration (maturing 30/11/2027), redeemable at par in 5 annual payments as of 30 November 2023; early redemption is nevertheless optional at the end of the fifth year in accordance with the terms set forth in the Capital Requirements Regulation;

- Return: semi-annual coupon (payable as of 30 May 2018) with an interest rate of 2.75% + 6 month Euribor.

The sale of NPLs

At the start of November 2017, an agreement was signed for the *pro soluto* sale of non-performing loans, primarily unsecured, in relation to the loans portfolio of the former Credito Salernitano following the conclusion of a competition procedure launched in March 2017, in which 21 companies specialised in the purchase of impaired loans participated. The best proposal was submitted by Fondo B2 Kapital Investment Srl, which made a cash offer of 1.9 million Euro for a portfolio with a gross book value of 18.8 million Euro, corresponding to a realisation percentage of 10.15%.

The difference between the sale price and the net book value, equal to 4.1 million Euro (3 million net of the tax effect), contained only asset elements and no income elements, and was thus managed within the context of IFRS 3 in consideration of the changes in fair value on the date of acquisition.

The operation had the result of significantly reducing the number of NPLs held, in advance of the schedule outlined in the action programme submitted to the Bank of Italy and the European Central Bank at the time of the request for authorisation of the merger with Credito Salernitano.

Purchase of the SBPL portfolio from Banca Popolare di Bari

The *pro soluto* sale of performing loans falls within the context of the business model followed by Terfinance since 2010 and reaffirmed in the ViViBanca 2017-2019 Action Plan, and has the fundamental objective of developing lending and optimising capital absorption. Sale programmes have always been managed within the scope of committed ceilings granted by shareholder banks (Banca Tercas/Banca Popolare di Bari and Banca Alpi Marittime) or partner banks (ING Direct and Banca Sistema) interested in performing loans in a good asset class but not in the operational management of customers, which is left in the hands of ViViBanca, formerly Terfinance, in its capacity as a servicer/agent.

Within this context, ViViBanca agreed, as mentioned above, to proceed with the repurchase of a loans portfolio from its shareholder Banca Popolare di Bari. This loans portfolio was generated by Terfinance in the 2008-2015 period and sold in several blocks between 2010 and 2015 to Banca Tercas and, after purchase by the latter, to the acquiring Banca Popolare di Bari.

This operation by ViViBanca on 22 December 2017 involved the purchase of loans for 82 million Euro against a counter-value of 83 million Euro. A portion of the loans was subsequently resold to ING Bank (57 million Euro) on 30 December 2017, with ViViBanca retaining operational management.

Given that the operation's size equalled more than 10% of the ViViBanca shareholders' equity, it was subject to the prior authorisation of the Bank of Italy in accordance with Article 58 TUB [Italian Consolidated Banking Law]. Furthermore, in consideration of the fact that Banca Popolare di Bari, as a shareholder of ViViBanca, is a "related party", the purchase price of the loans was certified by a leading audit firm, in a dedicated fairness opinion issued by it.

The benefits and strategic reasons that led to completion of the above-described operation can be summarised as follows:

- to broaden the historical customer base eligible for repeat business: with the bank's new status, business development strategies include the offering, in addition to the pure and simple renewal of loans that have reached their natural maturity, of other banking products and services as well;

- to avoid the sale of a portfolio of approximately 6,000 customers to direct competitor banks, with a significant harm to the possibility of customer retention and placement of other products: if ViViBanca had not repurchased its loans, Banca Popolare di Bari would likely have carried out the operation with other counterparties, which, by acquiring the loan servicing, would have interrupted management of the positions by ViViBanca and therefore these relationships with its customers;

- to obtain an additional financial margin to offset the extraordinary costs sustained when integrating the two combined companies.

The potential establishment of a banking group

As previously mentioned, one of the strategic objectives of ViViBanca is dimensional growth through an increase in market share. To achieve this objective, various alternatives are being evaluated, such as direct growth through an increase in its agency network and conventional bank branches, the acquisition of agencies operating in the same sector, and the integration of agents, with their own structures, into ViViBanca's business structure.

Within the latter perspective, ViViBanca has acquired an investment stake of less than 10% in a company registered with the OAM, including part of its structure; this operation may lead to a future 100% acquisition of the company by ViViBanca (upon the attainment of specific business and profitability objectives), establishing the foundation for a new development model that can be replicated with other operators.

E – The 2017 results

E.1 – Pro forma financial statements

In the case of business combinations such as the one resulting in the creation of ViViBanca, the Bank of Italy's Circular 262 establishes that the comparative figures reported in the financial statements shall be those of the acquiring entity (thus the comparative figures of the "former Terfinance" for 2016) in accordance with IFRS 3. For the purposes of comparability, the Report on Operations provides a uniform comparison of book values (2016 pro forma obtained as the sum of the former Terfinance and the former Crediter) as outlined below.

BALANCE SHEET (€/000)

		ViViBanca	Former Terfinance	Proforma
	Asset items	**31/12/2017**	**31/12/2016**	**31/12/2016**
10.	Cash and cash equivalents	69	3	230
30.	Financial assets valuated at fair value	37	-	35
40.	Financial assets available for sale	10.358	131	5.854
60.	Due from banks	84.173	11.656	22.245
70.	Due from customers	115.033	59.202	100.078
100.	Investment stakes	-	6.010	-
110.	Tangible assets	7.941	174	339
120.	Intangible assets	2.067	765	2.002
	of which:			
	- goodwill	1.236	-	1.236
130.	Tax assets	7.184	2.330	8.266
	a) current	1.336	179	1.642
	b) deferred	5.848	2.150	6.624
	pursuant to Law 214/2011	2.386	1.638	3.005
150.	Other assets	8.640	9.898	12.004
	Total assets	**235.501**	**90.169**	**151.052**

		ViViBanca	Former Terfinance	Proforma
	Liability and shareholders' equity items	**31/12/2017**	**31/12/2016**	**31/12/2016**
10.	Due to banks	56.595	29.392	30.728
20.	Due to customers	104.191	8.998	50.702
30.	Securities issued	15.771	-	12.611
80.	Tax liabilities	-	202	220
	a) current	-	202	202
	b) deferred	-	-	18
100.	Other liabilities	24.308	21.788	24.166
110.	Employee severance indemnities	1.130	605	1.085
120.	Provisions for risks and charges	1.462	1.297	2.206
	b) other funds	1.462	1.297	2.206
130.	Valuation reserves	(98)	(47)	(50)
160.	Reserves	(265)	1.965	2.961
170.	Share premium reserve	-	3.486	-
180.	Capital	31.398	21.277	29.398
200.	Profit (loss) for the period (+/-)	1.008	1.205	(2.975)
	Total liability and shareholders' equity	**235.501**	**90.169**	**151.052**

INCOME STATEMENT (€/000)

	Items	ViViBanca 31/12/2017	Former Terfinance 31/12/2016	Pro forma 31/12/2016
10.	Interest income and similar income	4.507	1.887	5.166
20.	Interest expenses and similar expenses	(2.086)	(1.093)	(2.197)
30.	**Net interest income**	**2.421**	**794**	**2.969**
40.	Fee and commission income	6.025	3.891	4.442
50.	Fee and commission expenses	(5.363)	(3.854)	(4.040)
60.	**Net commissions**	**662**	**37**	**402**
70.	Dividends and similar income	-	-	-
80.	Net result of trading activities	-	-	(1)
100.	Profit (loss) from sales or repurchases of:	16.281	10.178	9.774
	a) receivables	15.698	10.178	9.713
	b*)* financial assets available for sale	583	-	61
110.	Net result of financial assets and liabilities valuated at fair value	(6)	-	-
120.	**Intermediation margin**	**19.358**	**11.009**	**13.144**
130.	Net impairments/reversals on impairments owing to impairment of:	(5.008)	(1.237)	(4.888)
	a) receivables	(5.036)	(1.263)	(4.891)
	d) other financial operations	28	26	3
140.	**Net result of financial management**	**14.350**	**9.772**	**8.256**
150.	Administrative expenses:	(12.448)	(7.076)	(10.304)
	a) personnel expenses	(6.050)	(3.790)	(5.176)
	b) other administrative expenses	(6.398)	(3.286)	(5.128)
160.	Net allocations to provisions for risks and charges	(626)	(589)	(568)
170.	Net adjustments/value re-instatements on tangible	(142)	(43)	(111)
180.	Net adjustments/value re-instatements on intangible	(262)	(239)	(240)
190.	Other management income/expenses	174	48	394
200.	**Operating costs**	**(13.303)**	**(7.899)**	**(10.828)**
240.	Profit (loss) from the sale of investments	-	9	-
250.	**Profit (loss) on current operations, gross of taxes**	**1.047**	**1.882**	**(2.572)**
260.	Income tax on current operations	(39)	(677)	(412)
270.	**Profit (loss) on current operations, net of taxes**	**1.008**	**1.205**	**(2.984)**
290.	**Profit (loss) for the period**	**1.008**	**1.205**	**(2.984)**

STATEMENT OF COMPREHENSIVE INCOME (€/000)

	Items	ViViBanca 31/12/2017	Former Terfinance 31/12/2016	Proforma 30/06/2016
10.	**Profit (loss) for the period**	**1.008**	**1.205**	**(2.984)**
	Other income components net of taxes, without reversal to the income statement	**14**	**(29)**	**(19)**
40.	Defined benefit plans	14	(29)	(19)
	Other income components net of taxes, with reversal to the income statement	**(26)**	**-**	**(71)**
100.	Financial assets available for sale	(26)	-	(71)
130.	**Total other income components net of taxes**	**(12)**	**(29)**	**(90)**
140.	**Total income (Item 10+130)**	**995**	**1.177**	**(3.074)**

E.2 – Results of operations

Intermediation margin

Items/Values	2017	2016	2016 Proforma
Net interest income	2.421	794	2.969
Net commissions	662	37	402
Net result of trading activities			(1)
Profit (loss) from sales or repurchases	16.281	10.178	9.774
Net result of financial assets and liabilities valuated at fair value	(6)		
Intermediation margin	**19.358**	**11.009**	**13.144**

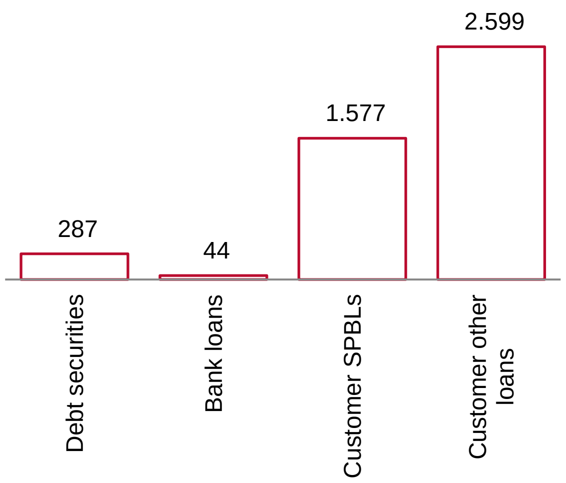
The intermediation margin, equal to 19.4 million Euro, respectively increased by 75.8% and 47.3% as compared to the situations of reference for 2016. These changes are mainly attributable to an increase in profits from sales involving SPBLs and government securities. The main aggregates that led to these results are summarised below.

- *Net interest income*

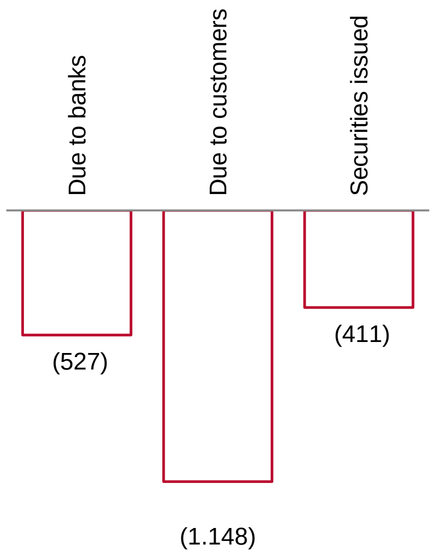
Items/Values	2017	2016	2016 Proforma
Interest income and similar income	4.507	1.887	5.166
Interest expenses and similar expenses	(2.086)	(1.093)	(2.197)
Net interest income	**2.421**	**794**	**2.969**

Interest income, equal to 4.5 million Euro, increased from 2016 thanks to the contribution of the combined company's lending and the increased retention applied to salary and pension-backed loans. In comparison to the 2016 pro forma figures, instead, the decrease is owing to the sale, to third parties, of the impaired loans of the former Crediter within the context of the process of de-risking the bank's assets. Interest expenses, equal to 2.1 million Euro, also experienced a similar trend, which was characterised by an expansionary funding policy likewise focused on price reduction based on the maturity of deposits.

Composition of interest income



Composition of interest expenses

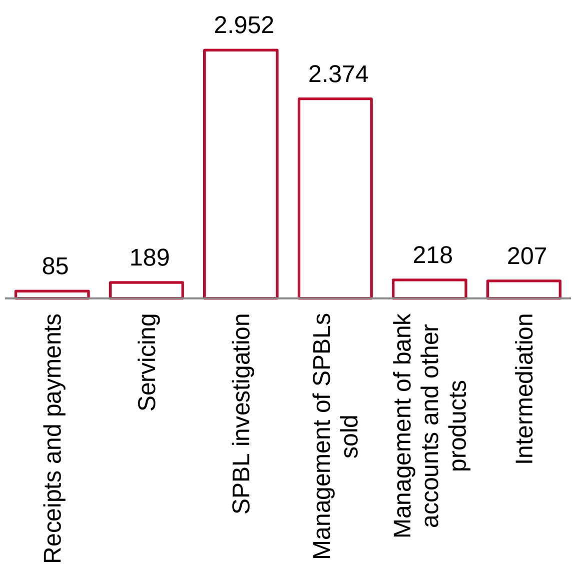


- *Net commissions*

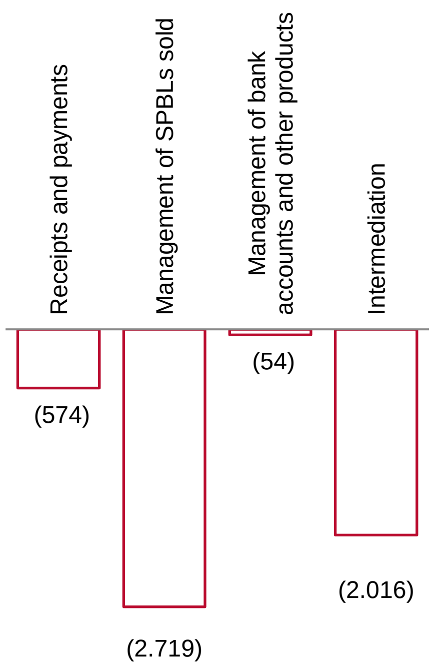
Items/Values	2017	2016	2016 Proforma
Fee and commission income	6.025	3.891	4.442
Fee and commission expenses	(5.363)	(3.854)	(4.040)
Net commissions	**662**	**37**	**402**

Commission income, equal to six million Euro, increased compared to 2016 thanks to the increased revenue from investigation fees related to SPBLs granted during the period, and by virtue of the growth in management fees related to sold portfolios in relation to which the Bank has retained the role of agent. The corresponding effect of liability management (i.e., commission rebates on early repayments returned to customers) influenced commission expenses, which amounted to 5.4 million Euro; an increase in the cost of the product distribution network was also recorded (with particular focus on agent commissions, not included in the product's amortised cost, and therefore not charged to customers but to the bank).

Composition of commission income



Composition of commission expenses



- *Profit (loss) from sales or repurchases*

Items/Values	2017	2016	2016 Proforma
a) Receivables	15.698	10.178	9.713
b) Financial assets available for sale	583	-	61
Profit (loss) from sales or repurchases	**16.281**	**10.178**	**9.774**

Profits from sales, equal to 16.2 million Euro, are mainly comprised of the income originating from the pro soluto sale of salary-backed loans (to specialised banks and to securitisation operations), in terms of both interest rate differential and recurring management fees (net of the relative repayment provision). We also report the realisation of profits on government securities following the changes in the portfolio of financial assets available for sale, in order to limit any fair value changes triggered by tensions on the markets.

Net result of financial management

Items/Values	2017	2016	2016 Proforma
Intermediation margin	**19.358**	**11.009**	**13.144**
Net impairments/reversals on impairments owing to impairment of:	(5.008)	(1.237)	(4.888)
a) receivables	(5.036)	(1.263)	(4.891)
b) other financial operations	28	26	3
Net result of financial management	**14.350**	**9.772**	**8.256**

Loan impairments recorded an increase resulting from a revision of recovery forecasts. These changes notably involved the unsecured loans in run-off portfolios (i.e., no longer in the disbursement phase).

Operating costs

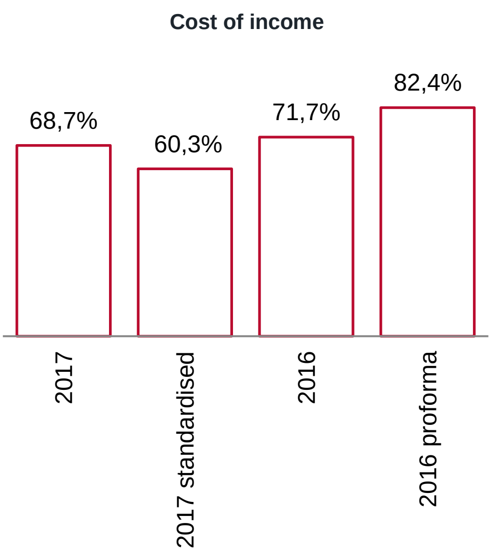
Items/Values	2017	2016	2016 Proforma
Administrative expenses:	(12.448)	(7.076)	(10.304)
a) personnel expenses	(6.050)	(3.790)	(5.176)
b) other administrative expenses	(6.398)	(3.286)	(5.128)
Net allocations to provisions for risks and charges	(626)	(589)	(568)
Net adjustments/value re-instatements on tangible assets	(142)	(43)	(111)
Net adjustments/value re-instatements on intangible assets	(262)	(239)	(240)
Other management income/expenses	174	48	394
Operating costs	**(13.303)**	**(7.899)**	**(10.828)**

Operating costs, equal to 13.3 million Euro, respectively increased by 67.8% and 22.5% as compared to the situations of reference for 2016.

The cost of income, determined as the ratio of operating costs to intermediation margin, was recorded at 68.7% in 2017.

From a strictly analytical viewpoint, if the non-recurring components (1 million Euro, owing to the business combination) had been standardised, this indicator would have been equal to 60.3%.

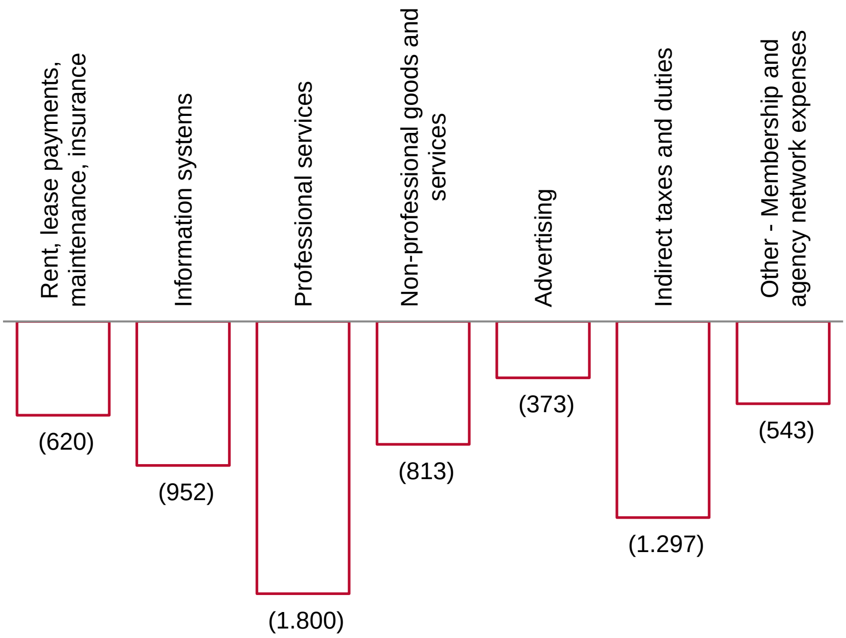
These changes are substantially attributable to an increase in administrative expenses following the bank's reorganisation, and are outlined in detail below:



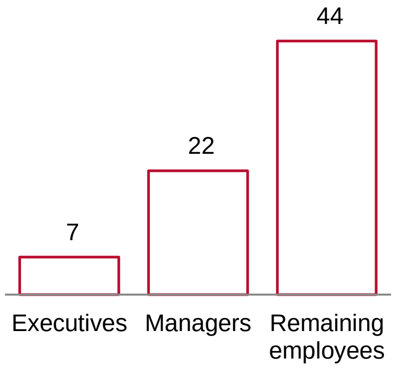
- *Administrative expenses*

The personnel cost component increased by 24.8% as compared to the 2016 pro forma figures. This change, equal to 0.3 million Euro, is mainly attributable to hiring focused on strengthening the structure and to redundancy incentives. With respect, instead, to other administrative expenses, an increase was recorded as resulting from measures directly related to the merger between Terfinance and Crediter and to the restructuring of the new registered office.

Composition of other administrative



Average annual number of employees



- *Net allocations to provisions for risks and charges*

Provisions, equal to 0.6 million Euro, respectively increased by 6.2% and 10.1% as compared to the situations of reference for 2016. These funds were mainly set aside to cover the risk of claims related to the calculation of early repayments on contracts prior to 2012 and to cover supplementary customer indemnities (for which the agency network is responsible). This change, as compared to previous financial years, is the result of an adjustment of the probability percentages, which were prudently revised in light of an increased stratification of the historical series related to events deemed probable.

- *Net value adjustments/reinstatements on tangible and intangible assets*

The amortisation of tangible and intangible assets, amounting to 0.4 million Euro, remained substantially unchanged, investments in the last quarter of the year having a minor effect on calculation factors.

Profit (loss) for the period

Items/Values	2017	2016	2016 Proforma
Profit (loss) on current operations, gross of taxes	**1.047**	**1.882**	**(2.572)**
Income tax on current operations	(39)	(677)	(412)
Profit (loss) on current operations, net of taxes	**1.008**	**1.205**	**(2.984)**
Profit (loss) for the period	**1.008**	**1.205**	**(2.984)**

In line with the previous results of Terfinance, the net result was positive notwithstanding a significant increase in write-downs and extraordinary costs, including as a result of a lower tax rate (3.8%).

E.3 – Financial position

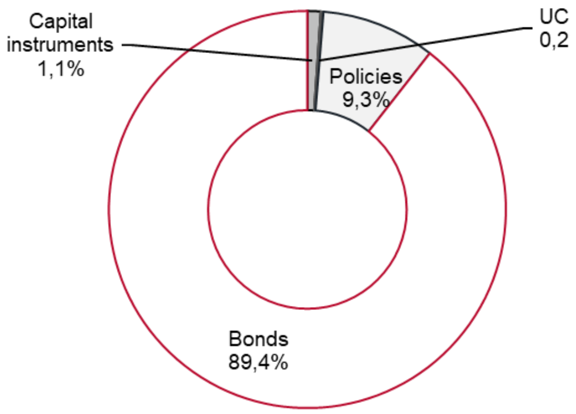
Securities portfolio

Items/Values	2017	2016	2016 Proforma
Assets valuated at fair value	37	-	35
Financial assets available for sale	10.358	131	5.854
Due from banks	-	902	902
Due from customers	11.748	4.565	5.594
Total assets	**22.143**	**5.598**	**12.385**

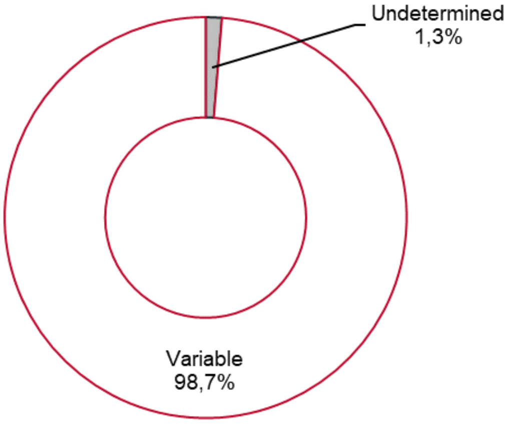
The securities portfolio, equal to 22.1 million Euro, has increased mainly due to:
- the purchase of CCTs [Italian government certificates], with a view to maintaining adequate liquidity levels;
- the subscription of asset backed securities (vertical slice) related to the “Eridano SPV” securitisation operation on performing SPBLs.

Financial investments are currently focused on variable rate bonds that are balanced in respect of type and fair value levels, with a view to limiting market fluctuations dependent on the national political scenario.

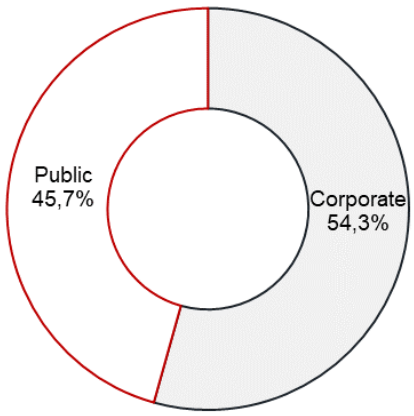
Nature



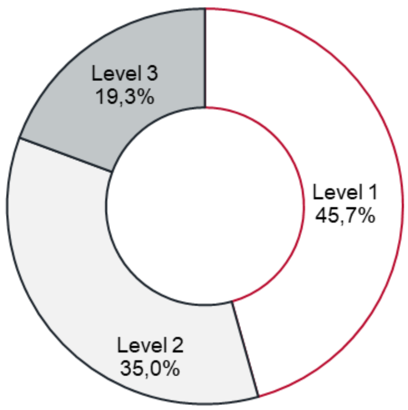
Rate



Type



Fair Value



Receivables portfolio (excluding amounts reported in the securities portfolio)

Technical form	2017	2016	2016 Proforma
Core portfolio	**52.154**	**20.962**	**23.259**
Consumer credit - SPBLs	50.603	14.879	17.176
Other loans	1.551	6.083	6.083
Run-off portfolio	**50.626**	**33.675**	**76.385**
Current accounts	7.720	-	10.850
Loans - Mortgages	9.388	-	10.126
Loans - Unsecured	8.300	-	12.632
Consumer credit - Personal loans	3.232	2.942	7.442
Financial leases - Property	19.889	27.078	27.078
Financial leases - Non-property	1.754	3.363	3.363
Other loans	343	292	4.894
Total lending	**102.780**	**54.637**	**99.644**

TReceivables due from customers, equal to 103 million Euro, experienced modest growth as compared to the 2016 pro forma situation; nevertheless, a significant change occurred in terms of their composition. This change in composition can be attributed to the retention of a larger number of salary-backed loans on the books, including disbursements and purchases totalling 224 million Euro (for additional information, see Part C – Commercial Policy – Lending of this report) and sales of performing loans totalling 192.1 million Euro (for additional information, see Part C – Securitisation operations and Part E – Sales of the Explanatory Notes). Furthermore, on 29 June 2017, a further sale of unimpaired mortgages and personal loans totalling 3 million Euro was carried out (for additional information, see Part E – Sales of the Supplementary Notes), in addition to the previously mentioned sale of NPLs.

Credit quality

	Credit quality/Values	Gross exposure	Impairments	Net exposures	%gross weight	%net weight	%hedge rate
2017	Performing	83.539	(504)	83.035	68,6	80,4	0,6
	Impaired	38.263	(18.014)	20.249	31,4	19,6	47,1
	- non-performing	16.348	(12.958)	3.390	13,4	3,3	79,3
	- probable default	16.008	(4.484)	11.524	13,1	11,2	28,0
	- past due impaired	5.907	(572)	5.335	4,8	5,2	9,7
	Total	**121.802**	**(18.518)**	**103.284**	**100,0**	**100,0**	**15,2**
2016	Performing	34.897	(245)	34.652	53,2	63,4	0,7
	Impaired	30.683	(10.698)	19.985	46,8	36,6	34,9
	- non-performing	22.625	(10.092)	12.533	34,5	22,9	44,6
	- probable default	6.121	(528)	5.593	9,3	10,2	8,6
	- past due impaired	1.937	(78)	1.859	3,0	3,4	4,0
	Total	**65.580**	**(10.943)**	**54.637**	**100,0**	**100,0**	**16,7**
2016 proforma	Performing	66.764	(555)	66.209	52,3	66,4	0,8
	Impaired	60.969	(27.534)	33.435	47,7	33,6	45,2
	- non-performing	42.640	(24.135)	18.505	33,4	18,6	56,6
	- probable default	13.464	(3.026)	10.438	10,5	10,5	22,5
	- past due impaired	4.865	(373)	4.492	3,8	4,5	7,7
	Total	**127.733**	**(28.089)**	**99.644**	**100,0**	**100,0**	**22,0**

The gross impact of impaired loans remains high; however, the net impact is considerably lower. Within this context, the bank is considering the sale of a further 13 million in non-performing loans, with a view to bringing the indicator in line with adequate thresholds in a reasonable period of time, with respect to market conditions. Meanwhile, the total hedging on the portfolio is in line with sector averages for the smaller banks (Bank of Italy - Financial Stability Report No. 2 - 2017).

Recovery of portfolio runoff

The collection of problem loans is centralised with the Collection & Litigation Department, which maximises the efficiency of portfolio management by applying strategies for setting collection priorities. These are structured in function of customer risk level and measures applied to the individual positions.

In 2017, collection activities focused on managing banking and lease portfolio runoff, with particular attention given to the unsecured portfolio and careful calculation of the guarantees related to existing contracts in order to minimise expected risk through direct and indirect collection measures and out-of-court settlements.

Within this context, special mention must be given to:
- the sale of bank NPLs totalling 18 million Euro (described under significant events);
- divestment of the real estate component relative to terminated lease agreements, the assets for which are fully held within the perimeter of the company's assets, for the purpose of their sale (see Explanatory Notes – Part A for additional information).

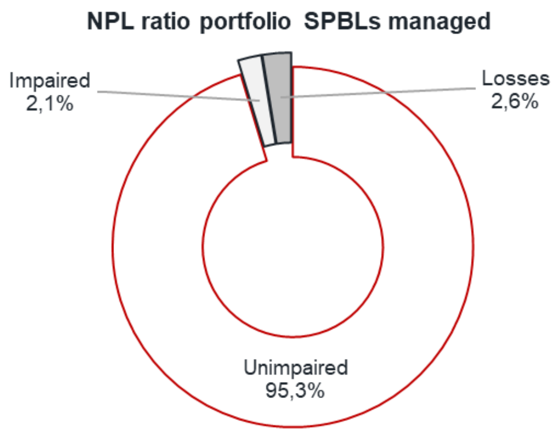
In addition, it should be noted that the bank, through its Loans Division, has adopted adequate procedures for the monitoring and management of loans not yet impaired but in arrears (past due unimpaired), with a view to limiting and preventing their impairment.

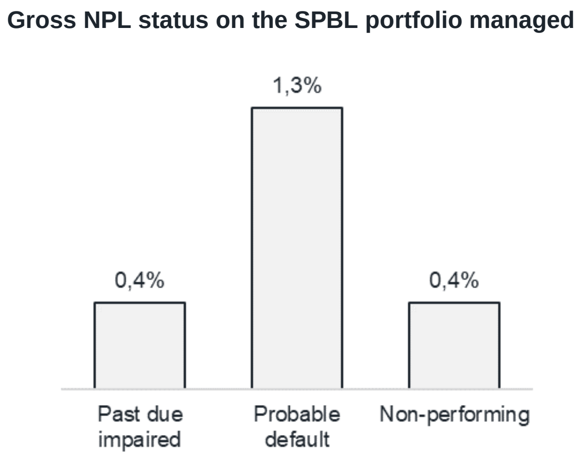
Furthermore, the Collection & Litigation Division, with the methodological support of the Risk Management Department, regularly controls and monitors large exposures in this portfolio in order to ensure the full and timely control of all positions, regularly reporting on the results of these activities to the Executive and the Board of Directors, in addition to periodic discussions with the Credit Committee; at this time, benchmark analysis based on the main uniform sector references is also discussed.

Recovery activities relating to the core portfolio

With respect to the company's core product, the SPBL portfolio, the activities of the Collection Division are focused on the full management of insurance claims supporting loans (ensuring timely coordination with insurance companies) and on the management of any recovery of employee severance indemnities. For the management of bankruptcy proceedings, the Division is assisted by external lawyers who supervise all measures that are taken.

The risk indicators for this portfolio must be considered alongside the above-mentioned systematic *pro soluto* sale/securitisation of loans generated by commercial activities, which result in the direct management of a portfolio valued at 464 million Euro.





It should be noted that the collection of amounts related to insurance claims is nearly 100%, albeit with time latencies due to the complex nature of operations.

With respect to SPBLs on the books, these show a net book value of 50.9 million Euro, 93 thousand (0.18%) of which is non-performing. The residual portion of impaired loans inherent in this product can be attributed to technical past due amounts.

Net position with banks (excluding amounts reported in the securities portfolio)

Items/Technical form	2017	2016	2016 Proforma
Due from banks (a)	**84.173**	**10.754**	**21.343**
Unrestricted deposits	17.811	2.776	13.020
Time deposits	5.158	3.273	3.618
Receivables for collection	61.204	4.705	4.705
Due to banks (b)	**56.595**	**29.392**	**31.509**
Unrestricted deposits	401	21.908	24.025
Time deposits	53.122	-	-
Loans	3.072	7.484	7.484
Net banking position (a-b)	**27.578**	**(18.638)**	**(10.166)**

The net asset position with banks is 27.6 million Euro, and has changed due to funding policies focused on stable customer funding. In particular, there has been a significant increase in sight deposits, considering that the “Loans due for collection” (relative to the sale of SPBLs made to ING Bank on 30 December 2017) are comparable to liquidity as they are paid on the first business day following financial year end.

Trade payables and securities in circulation

Technical form	2017	2016	2016 Proforma
Due to customers	**104.191**	**8.998**	**50.702**
Current accounts	28.550	-	32.351
Time deposits	75.522	-	9.353
Other payables	119	8.998	8.998
Securities issued	**15.771**	**-**	**12.610**
Certificates of deposit	3.727	-	6.867
Bonds	12.044	-	5.743

Trade payables, net of the decrease in current accounts of 3.7 million Euro, recorded a significant increase in time deposits and totalled 67 million Euro. This technical form is given preference, as it offers significant advantages in terms of stability and ease of management over free funding forms. Other debts, comprised of loans to shareholders, were entirely repaid in the first quarter of 2017.

The number of securities issued also increased, notwithstanding the redemption of 3.1 million Euro in certificates of deposit, due to issue of the Lower Tier II bond in November 2017 for seven million Euro.

Investments

Items/Values	2017	2016	2016 Proforma
Tangible assets	**7.941**	**174**	**339**
Having a functional use	852	174	339
For investment purposes	7.089	-	-
Intangible assets	**2.068**	**765**	**2.002**
With a definite useful life	832	765	766
Goodwill	1.236	-	1.236
Total investments	**10.009**	**939**	**2.341**

Tangible assets increased by 7.1 million Euro following divestment of the real estate component relative to terminated lease agreements, the assets for which are fully held within the perimeter of the company’s assets, for the purpose of their sale (see Supplementary Notes – Part A for additional information), and as a result of investments made for the new registered office. Intangible assets also increased by 1.2 million Euro, with recognition of the goodwill generated by the merger operation as set out in IFRS 3 with reference to the partial goodwill method (refer to the Explanatory Notes – Part G for additional information).

Other assets

Items/Values	2017	2016	2016 Proforma
Other assets	**8.640**	**9.898**	**12.004**
Processing accounts	1.848	604	1.836
Tax balances	694	401	807
Security deposits	20	13	13
Servicing of loans sold and derecognised (receipts and expenses)	2.440	7.005	7.005
Accrued income and prepaid expenses not attributable to items under own category	333	197	244
Leasehold improvements	459	7	237
Due to customers	685	342	524
Advances to agents and suppliers	2.161	1.329	1.338

Other assets, equal to 8.6 million Euro, have decreased compared to the previous financial year and are mainly composed of:

- processing accounts: these are related to receipt and payment operations (SEPA transfers, customer debits, insurance receivables due for collection);
- *servicing of loans sold and derecognised: consisting of cash advances made to buyers for receipts and expenses, down by 4.6 million Euro due to termination of the management contract with Banca Popolare di Bari;*
- advances to agents and suppliers: these are up by 0.8 million Euro and relate to commitments to the commercial network.

Other liabilities

Items/Values	2017	2016	2016 Proforma
Other liabilities	**24.308**	**21.788**	**24.166**
Processing accounts	11.188	4.630	6.335
Tax balances	694	197	430
Servicing of loans sold and derecognised (receipts and expenses)	4.427	10.132	10.132
Due to personnel and social security institutions	846	370	513
Trade payables	4.356	3.259	3.546
Accrued expenses and deferred income not attributable to items under o category	2.746	3.131	3.131
Provision for risks on guarantees given	51	69	79

Other liabilities, equal to 24.3 million Euro, have increased compared to the previous financial year and are mainly composed of:

- processing accounts: temporarily up by 6.6 million Euro and comprised mainly of receipts and payments (such as SEPA transfers, customer debits, operational items associated with SPBL products);
- *servicing of loans sold and derecognised: down by 5.7 million Euro due to termination of the contract with Banca Popolare di Bari;*
- trade payables: up by 1.1 million Euro, mainly attributable to commitments to the commercial network for commissions and bonuses;
- accrued expenses and deferred income not attributable to their specific items: down by 0.4 million Euro, these are mainly composed of deferred revenue associated with early repayments regarding SPBLs sold.

Provisions

Items/Values	2017	2016	2016 Proforma
Employee severance indemnities	**1.130**	**605**	**1.085**
Provision for risks	**1.462**	**1.297**	**2.205**
Legal proceedings as the respondent	5	-	13
Enforcement of guarantees	95	-	895
Supplementary customer indemnity	352	637	637
Customer complaints	1.010	660	660

Employee severance indemnities have slightly increased as compared to the pro forma trend, by reason of hirings intended to strengthen staffing levels. Instead, with respect to the provisions for risks, we report:

- a payment resulting from the enforcement of guarantees, for which a provision of 0.8 million Euro had previously been allocated;
- a net decrease of 0.3 million Euro in the supplementary customer indemnity provision, resulting from lower actuarial assumptions due to the absence of utilisations;
- the net increase of 0.4 million Euro on the provision for claims, against 0.5 million Euro paid in the previous financial year; the calculation of this item has contributed to an increasingly detailed historical statistic, which a resulting adjustment of the company’s forecasts.

Tax exposure

Items/Values	2017	2016	2016 Proforma
Tax assets	**7.109**	**2.329**	**8.266**
a) current	**1.336**	**179**	**1.642**
- IRAP: instalments	127	179	243
- IRAP: tax credits	12		
- IRES: tax credits	7		
- IRES: transformation of DTA	1.190		1.399
b) deferred	**5.773**	**2.150**	**6.624**
- IRAP: Law 214/2011	174	92	230
- IRES: Law 214/2011	2.212	1.546	2.775
- IRES: tax losses	2.636	107	2.835
- IRES: ACE (Aiuto alla Crescita Economica [Italian Economic Growth Aid])	254	68	94
- IRES: other	497	337	690
Tax liabilities	**-**	**(202)**	**(220)**
a) current	**-**	**(202)**	**(202)**
- IRAP: provision for taxes	-	(202)	(202)
b) deferred	**-**	**-**	**(18)**
- IRES: other	-		(18)

The various tax elements to be reported include an allocation of deferred tax assets on the prior losses of the former Crediter, inherent in the positive outcome of the request for clarifications from the Italian Internal Revenue Agency.

Equity

Items/Values	2017	2016	2016 Proforma
Shareholders' equity	32.042	27.886	29.335
- measurement reserves	*(98)*	*(47)*	*(50)*

The regulatory capital, strengthened by the effect of the merger operation (for additional information, refer to the Supplementary Notes – Part G) and by the Lower Tier II bond issue for seven million Euro (issued in November 2017), complies with the existing regulatory obligations, as shown in the graphs below, notwithstanding the physiological increase in risk weighted assets.

F - Treasury shares

The company does not hold treasury shares or shares in its parent companies, either directly or through trust companies.

G - Relations with subsidiaries, related companies, parent companies, and companies under the common control of parent companies

For information on this subject, refer to the details provided in the Explanatory Notes – Part H – Operations with related parties.

H - Research and development activities

Pursuant to Art. 2428 of the Italian Civil Code, we hereby specify that the company did not carry out any research or development activities during the financial year.

I - Additional information on financial risks

For information on this subject, refer to the details provided in the Explanatory Notes – Part E – Information on risks and on the relative hedging policies.

J - Events after financial year end

We report no significant events after financial year end.

K – Business Outlook

In 2018, the bank forecasts a year dedicated to the significant development of typical commercial activities after a 2017 entirely dedicated to post-merger integration and to a rebalancing of the structure as a whole, as well as the absorption of expenses from the business combination and from management of the loans portfolio.

Within this context, the main objectives are:
- to increase the volume of salary-backed loans disbursed while continuing to maintain the same high level of attention to the quality of loans;
- a further strengthening of the management of portfolios no longer in the disbursement phase;
- the pro soluto sale of another portfolio of unsecured non-performing loans;
- the launch of a new “traditional” loan securitisation operation, with derecognition;
- a volume expansion of the government securities portfolio;
- expansion into new product ranges, such as online deposit accounts and advances to new pensioners who are former employees of the state and public officials;
- the creation of organisational and operational economies of scale.

The combined results of these action lines should enable the bank to increase its profitability and gain further strength in terms of capital and financial stability.

*****

Dear shareholders,

We ask you to deliberate on the following topics:

1. approval of the annual financial statements as of 31 December 2017;

2. allocation of the profit for the period[1], equal to 1,007,927 Euro, which we propose to distribute as follows:
- to the legal reserve (5%): 50,396 Euro;
- to the retained profits reserve: 957,531 Euro.

We would also like to sincerely thank all those who collaborated with the company: the shareholders, the supervisory authority, the Board of Statutory Auditors, the independent audit firm, the trade associations (ABI, Assofin, UFI, and Assilea), and all external collaborators. As usual, our thanks also extend in particular to the company’s employees for their commitment, professionalism, and loyalty.

Turin, 26 March 2018

The Chairman
On behalf of the Board of Directors

[1] As mentioned in the Explanatory Notes, under paragraph 14.6 of the Balance Sheet - Liabilities, in compliance with Article 2427, par. 22-septies of the Italian Civil Code.

FINANCIAL STATEMENT TABLES

BALANCE SHEET

	Asset items	31/12/2017	31/12/2016
10.	Cash and cash equivalents	68.617	3.076
30.	Financial assets valuated at fair value	36.569	-
40.	Financial assets available for sale	10.357.671	130.920
60.	Due from banks	84.173.357	11.656.359
70.	Due from customers	115.032.869	59.202.043
100.	Investment stakes	-	6.009.856
110.	Tangible assets	7.940.698	174.125
120.	Intangible assets	2.067.428	764.826
	of which:		
	- goodwill	1.235.755	-
130.	Tax assets	7.184.136	2.329.629
	a) current	1.336.323	179.201
	b) deferred	5.847.813	2.150.428
	pursuant to Law 214/2011	2.386.153	1.638.001
150.	Other assets	8.639.506	9.897.904
	Total assets	**235.500.851**	**90.168.738**

	Liability and shareholders' equity items	31/12/2017	31/12/2016
10.	Due to banks	56.595.008	29.391.707
20.	Due to customers	104.191.497	8.998.295
30.	Securities issued	15.771.400	-
80.	Tax liabilities	-	201.951
	a) current	-	201.951
	b) deferred	-	-
100.	Other liabilities	24.308.288	21.788.497
110.	Employee severance indemnities	1.130.467	604.538
120.	Provisions for risks and charges	1.461.874	1.297.381
	b) other funds	1.461.874	1.297.381
130.	Valuation reserves	(98.496)	(46.552)
160.	Reserves	(264.865)	1.965.174
170.	Share premium reserve	-	3.485.893
180.	Capital	31.397.751	21.276.685
200.	Profit (loss) for the period (+/-)	1.007.927	1.205.169
	Total liability and shareholders' equity	**235.500.851**	**90.168.738**

In the case of business combinations such as the one resulting in the founding of ViViBanca, the Bank of Italy's Circular 262 establishes that the comparative figures reported in the financial statements shall be those of the acquiring entity (31/12/2016 relating to the former Terfinance) in accordance with IFRS 3. For the purposes of comparability, the Annual Report provides a uniform comparison of book values (2016 pro forma obtained as the sum of the former Terfinance and the former Crediter).

INCOME STATEMENT

	Items	31/12/2017	31/12/2016
10.	Interest income and similar income	4.506.544	1.886.840
20.	Interest expenses and similar expenses	(2.085.504)	(1.092.832)
30.	**Net interest income**	**2.421.040**	**794.008**
40.	Fee and commission income	6.025.301	3.890.869
50.	Fee and commission expenses	(5.363.495)	(3.853.697)
60.	**Net commissions**	**661.806**	**37.172**
70.	Dividends and similar income	344	-
80.	Net result of trading activities	(126)	-
100.	Profit (loss) from sales or repurchases of:	16.281.316	10.178.243
	a) receivables	15.698.387	10.178.243
	b) financial assets available for sale	582.929	-
110.	Net result of financial assets and liabilities valuated at fair value	(5.856)	-
120.	**Intermediation margin**	**19.358.523**	**11.009.423**
130.	Net impairments/reversals on impairments owing to impairment of:	(5.008.273)	(1.237.173)
	a) receivables	(5.036.218)	(1.263.266)
	d) other financial operations	27.945	26.093
140.	**Net result of financial management**	**14.350.250**	**9.772.250**
150.	Administrative expenses:	(12.447.722)	(7.076.003)
	a) personnel expenses	(6.050.032)	(3.790.068)
	b) other administrative expenses	(6.397.690)	(3.285.935)
160.	Net allocations to provisions for risks and charges	(625.595)	(589.036)
170.	Net adjustments/value re-instatements on tangible	(141.680)	(43.101)
180.	Net adjustments/value re-instatements on intangible	(261.666)	(238.834)
190.	Other management income/expenses	173.684	48.209
200.	**Operating costs**	**(13.302.978)**	**(7.898.765)**
240.	Profit (loss) from the sale of investments	-	9.000
250.	**Profit (loss) on current operations, gross of taxes**	**1.047.272**	**1.882.485**
260.	Income tax on current operations	(39.345)	(677.316)
270.	**Profit (loss) on current operations, net of taxes**	**1.007.927**	**1.205.169**
290.	**Profit (loss) for the period**	**1.007.927**	**1.205.169**

STATEMENT OF COMPREHENSIVE INCOME

	Items	31/12/2017	31/12/2016
10.	**Profit (loss) for the period**	**1.007.927**	**1.205.169**
	Other income components net of taxes, without reversal to the income statement	**13.662**	**(28.534)**
40.	Defined benefit plans	13.662	(28.534)
	Other income components net of taxes, with reversal to the income statement	**(26.006)**	**-**
100.	Financial assets available for sale	(26.006)	
130.	**Total other income components net of taxes**	**(12.344)**	**(28.534)**
140.	**Total income (Item 10+130)**	**995.583**	**1.176.635**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2017 financial year

	Figures at 31/12/2016	Change to starting balances	Figures at 01/01/2017	Allocation of results from previous financial year		Changes in the period						Comprehensive income 2017 financial year	Shareholders' equity at 31/12/2017
							Operations on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in capital instruments	Other changes		
Capital	21.276.685		21.276.685				1.999.970				8.121.096		31.397.751
Share premium reserve	3.485.893		3.485.893								(3.485.893)		-
Reserves:													
a) profits b) other	1.965.174		1.965.174	1.205.169							(3.435.208)		(264.865)
Valuation reserves	(46.552)		(46.552)			(39.600)						(12.344)	(98.496)
Capital instruments													
Treasury shares													
Profit (loss) for the period	1.205.169		1.205.169	(1.205.169)								1.007.927	1.007.927
Shareholders' equity	**27.886.369**		**27.886.369**	**-**	**-**	**(39.600)**	**1.999.970**				**1.199.995**	**995.583**	**32.042.317**

2016 financial year

	Figures at 31/12/2015	Change to starting balances	Figures at 01/01/2016	Allocation of results from previous financial year		Changes in the period						Comprehensive income 2016 financial year	Shareholders' equity at 31/12/2016
							Operations on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in capital instruments	Other changes		
Capital	21.276.685		21.276.685										21.276.685
Share premium reserve	3.485.893		3.485.893										3.485.893
Reserves:													
a) profits b) other	1.571.167		1.571.167	394.007									1.965.174
Valuation reserves	(18.018)		(18.018)									(28.534)	(46.552)
Capital instruments													
Treasury shares													
Profit (loss) for the period	1.096.138		1.096.138	(394.007)	(702.131)							1.205.169	1.205.169
Shareholders' equity	**27.411.865**		**27.411.865**	**-**	**(702.131)**							**1.176.635**	**27.886.369**

STATEMENT OF CASH FLOWS

Direct method

	Amount	
A. OPERATING ACTIVITIES	**31/12/2017**	**31/12/2016**
1. Management	**9.885.492**	**3.201.977**
- interest income received (+)	3.914.649	1.830.239
- interest expenses paid (-)	- 1.337.824	- 1.050.345
- dividends and similar income (+)	344	
- net fees and commissions (+/-)	- 314.798	306.358
- personnel expenses (-)	- 5.853.339	- 3.832.514
- other costs (-)	- 3.839.039	- 4.264.392
- other revenue (+)	17.315.498	10.889.947
- taxes and duties (-)		- 677.316
- cost/revenue relative to groups of assets held for sale, net of the tax effect (+/-)		
2. Liquidity generated/absorbed by financial assets	**- 146.721.029**	**- 22.101.718**
- financial assets held for trading		
- financial assets valuated at fair value	- 36.569	
- financial assets available for sale	- 10.226.751	- 75.929
- due from customers	- 60.275.150	- 16.918.618
- due from banks: on sight	- 72.516.998	- 4.279.434
- due from banks: other receivables and loans		
- other assets	- 3.665.562	- 827.737
3. Liquidity generated/absorbed by financial liabilities	**135.882.105**	**26.056.890**
- due to banks: on sight	- 21.506.487	24.703.977
- due to banks: other debts	48.709.787	
- due to customers	95.153.734	3.102.086
- securities issued	15.571.113	
- financial liabilities held for trading		
- financial liabilities valuated at fair value		
- other liabilities	- 2.046.042	- 1.749.173
Net liquidity generated/absorbed by operating activities	**- 953.432**	**7.157.149**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-**	**9.000**
- sale of investment stakes		
- dividends received on investment stakes		
- sale/redemption of financial assets held to maturity		
- sale of tangible assets		9.000
- sale of intangible assets		
- sale of company branches		
2. Liquidity absorbed by	**- 980.997**	**- 6.463.291**
- purchase of investment stakes		- 6.009.856
- purchase of financial assets held to maturity		
- purchase of tangible assets	- 653.954	- 110.697
- purchase of intangible assets	- 327.043	- 342.738
- purchase of company branches		
Net liquidity generated/absorbed by investment activities	**- 980.997**	**- 6.454.291**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	1.999.970	
- issue/purchase of capital instruments		
- distribution of dividends and other purposes		- 702.131
Net liquidity generated/absorbed by investment activities	**1.999.970**	**- 702.131**
D=A+/-B+/-C NET LIQUIDITY GENERATED/ABSORBED IN FINANCIAL YEAR	**65.541**	**727**

Reconciliation

Financial statement items	*Amount*	
	31/12/2017	**31/12/2016**
Cash and liquidity at period start	3.076	2.349
Total net liquidity generated/absorbed during the period	65.541	727
Cash and liquidity: effect of exchange rate changes		
Cash and liquidity at period end	68.617	3.076

Legend:
(+) generated
(-) absorbed

EXPLANATORY NOTES

Part A – ACCOUNTING POLICIES

A.1 GENERAL POLICIES

Section 1 – Declaration of compliance with International Financial Reporting Standards

Pursuant to Legislative Decree No. 38 of 28 February 2005, the financial statements have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission as established under EC Regulation No. 1606 of 19 July 2002, and in compliance with the tables and preparation rules contained in Bank of Italy Circular No. 262 of 22 December 2005 (4th update, dated 15 December 2015).

These financial statements also comply with the IAS/IFRS in force at the reporting date (including the SIC and IFRIC interpretations), as approved by the European Commission.

New principles and amendments

Principles/Interpretations	Date of IASB entry into force
Amendments to IAS 12 - Income taxes - Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 12 - Statement of cash flow - Disclosure initiative	1 January 2017
Amendments to IFRS 12 - Disclosure of interests in other entities	1 January 2017
Amendments to IFRS 4 - Applying IFRS 9 with insurance contracts	1 January 2018
IFRS 15 - Revenue from contracts with customers (and clarification to IFRS 15 - Revenue from contracts with customers)	1 January 2018
IFRS 9 - Financial instruments	1 January 2018
IFRS 16 - Leases	1 January 2019
IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018*
Amendments to IFRS 2 - Share-based payment - Classification and measurement of share-based payment transactions	1 January 2018*
Annual Improvement 2014-2016	1 January 2018*
IFRIC 23 - Uncertainty over income tax treatments	1 January 2019*
Amendments to IAS 40 - Transfer of investment property	1 January 2018*
Amendments to IFRS 9 - Prepayment features with negative compensation	1 January 2019*
Amendments to IAS 28 - Investments in associates and joint ventures	1 January 2019*
IFRS 17 - Insurance contracts	1 January 2021*

Legend:
*Not yet approved by the EFRAG

The new accounting principles having the greatest significance in relation to the bank's sectors of business are outlined below.

IFRS 9

In 2017, the bank undertook a project involving the implementation of IFRS 9 - Financial Instruments, the new accounting standard that replaces IAS 39 as of 1st January 2018 and affects the methods of "classification and measurement and "impairment". Given the significant impacts of IFRS 9 in terms of both business and organisation, application, and reporting, the company was supported in this process by the specialised firm MPartners. The purpose of this project was to examine the qualitative and quantitative effects of IFRS 9, and to identify and implement the application and organisational measures necessary to ensure the bank's consist, cohesive, and effective adoption of this new standard.

The same methodological approaches were used for classification and measurement and impairment, separated into three micro-phases of activity (preliminary analysis and selection, computer simulations and design of the target operational model, and computer development and definition of the operational processes) with a view to proper application of the new principle upon its first time adoption (FTA) and continued adoption.

Classification and measurement

The classification of financial assets is guided, on one hand, by the contractual characteristics of the cash flows of financial instruments (SPPI - solely payments of principal and interest - test) and, on the other hand, by the intentions of management for which these financial instruments are held (the business model):

- *SPPI test*

  The first classification driver involves defining the methods to be adopted based on the composition of currently existing portfolios.

  For securities, a detailed examination of the cash flow characteristics of each individual instrument was carried out in order to identify the assets that do not pass the SPPI test and must be measured at their fair value, with the resulting effects in the income statement. Based on the analyses performed, a non-significant portion of the portfolio does not pass the SPPI test, this portion being primarily attributable to instruments that create concentrations of credit risk (tranches) and to open- and closed-ended investment funds in accordance with the recent clarifications provided by the IFRS Interpretation Committee.

  For loans, a modular analysis was carried out taking into account the weight of the portfolios and their uniformity, from which the residual reasons for failing the SPPI test emerged (such as zero interest renegotiation). As such, for the loans segment as well, no significant impacts are anticipated.

- *Business model*

  The second classification driver involved an inventory and analysis of both the current and prospective business models, which were examined at the individual product level. For the “held to collect” portfolios, thresholds were defined for the acceptance of frequent but non-significant sales (individually and combined), or infrequent sales, including those having a significant value; at the same time, parameters were established to identify the sales consistent with this business model as being attributable to an increase in credit risk.

  The securities portfolios currently classified:
  - at amortised cost generally present reduced movement trends consistent with the “held to collect” management strategy;
  - as assets available for sale involved the adoption of a “held to collect and sell” management strategy.

  Insofar as pertains to equity securities, the bank will adopt the option of fair value classification and recognition under shareholders’ equity (FVOCI without reversal to the income statement).

  The loans portfolios relative to both retail and corporate counterparties can be attributed as having a “held to collect” management strategy, with the exception of internally produced SPBLs, for which the bank intends to proceed with ongoing divestment with a view to generating income on a secondary market (banking/securitisation with derecognition); for this reason, a “held to collect and sell” strategy can be attributed to this product, with significant impacts in terms of representation and measurement.

Impairment

The following can be considered significant elements:
- methods have been defined for tracking the credit quality of financial asset portfolios measured at amortised cost and at fair value with a contra-entry under shareholders’ equity;
- parameters have been defined to determine any significant deterioration of credit risk, in order to correctly allocate performing exposures as stage 1 or stage 2. With reference, instead, to impaired exposures recognised as stage 3, the alignment of definitions for accounting and regulatory defaults allows for current classification methods to be aligned with future ones. Again in relation to the preceding, the elements that will constitute the main factors to be taken into consideration for the evaluation of movements between the different stages are as follows:

- changes in the probability of a lifetime default, as compared to the moment of initial recognition of the financial instrument in the financial statements;
- the presence of an amount at least 30 days past due (without prejudice to the significance thresholds identified in the standard). In such a situation, in other words, the exposure's credit risk is presumed to have "significantly increased", with a resulting movement to stage 2 (if the exposure was previously recognised as stage 1);
- the presence of any other conditions (e.g., a renegotiation qualified as a forbearance measure) that involve classifying the exposure as one in which credit risk has significantly increased, as compared to initial recognition;
- models have been developed (and include forward-looking information) for staging (relative to use of the lifetime PD as an impairment indicator) and for measurement of the expected credit loss (ECL) for one year (to be applied to exposures in stage 1) and lifetime (to be applied to exposures in stage 2 and stage 3).

Effect on the financial statements

The main effects forecasted for the bank, resulting from the adoption of this new principle, will firstly derive from application of the new accounting model for impairment (based on the concept of expected loss, rather than on the incurred loss approach currently applied under IAS 39), which will result in an increase in impairments, and from application of the new rules for moving exposures between the different classification stages established in the new standard.
Based on the analyses carried out and changes implemented, we estimate that the impact, net of taxes, to be recognised as a contra-entry in the shareholders' equity upon initial application of the new accounting principle will be negative, in terms of impairment, in the amount of 6 million Euro and will be positive, in the amount of 2.6 million Euro, due to the effect of measurement reserves on the SPBL products. The total net impact (equal to -3.4 million Euro, 76% of which derives from the former Crediter portfolio) will not be critical in view of current levels of equity and regulatory capital, thanks to the current structure of the own funds and the transitional regime established under Regulation (EU) 2017/2395 of 12 December 2017, amending Regulation (EU) No. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds. The bank's static adoption of this standard was communicated to the supervisory authority on 16/01/2017.

IFRS 15

Accounting principle IFRS 15 - Revenue from Contracts with Customers, in force as of January 2018, supersedes IAS 18 - Revenue and IAS 11 - Construction contracts and the related interpretations from the date of entry into force of this principle.

The new elements, with reference to the pre-existing principles, can be summarised as follows:
- the introduction of a common framework for the recognition of revenue from both the sale of goods and the provision of services;
- the adoption of a five-step model for the recognition of revenue;
- an unbundling mechanism for assignment of the total price of a transaction for each commitment (sale of goods and/or provision of services) forming the object of a sale contract.

In general, under IFRS 15, entities adopt a five-step approach for the recognition of revenue:
1. identification of the contract (or contracts) with a customer: the provisions of IFRS 15 apply to all contracts entered into with a customer and meeting specific criteria. In certain specific cases, IFRS 15 requires that an entity combine/aggregate several contracts and recognise them in their accounts as a single contract;
2. identification of the performance obligations: a contract represents commitments to transfer goods or services to a customer. If these goods or services are "distinct", these promises are qualified as performance obligations and are recognised separately in the accounts;
3. determination of the transaction price: the transaction price is the amount of the consideration to which an entity expects to be entitled, in exchange for the transfer of promised goods or services to the customer. The price established for the transaction can be a fixed amount, but may sometimes include variable components or non-cash components;
4. allocation of the transaction price to the contract's performance obligations: an entity allocates the transaction price between the various performance obligations, based on the stand-alone selling price

of each individual good or service established in the contract. If a stand-alone selling price is not observable, the entity is required to estimate it. The principle identifies when an entity is required to allocate a discount or a variable component to one or more but not all of the performance obligations (or to the distinct goods or services) established in the contract;

5. recognition of revenue when (or as) the entity satisfies a performance obligation: an entity recognises the revenue when it satisfies a performance obligation by way of the transfer of a good or the provision of a service established in the contract to the customer (i.e., when the customer obtains control of the good or service). The amount of revenue to be recognised is the amount allocated to the performance obligation that has been satisfied. A performance obligation may be satisfied at a single point in time (typically the transfer of goods) or over a period of time (typically the provision of services). For performance obligations satisfied over a period of time, the entity recognises the revenue during the reference time period, selecting an appropriate method to measure the progress achieved, against complete satisfaction of the performance obligation.

The bank has conducted an analysis of the main revenue sources originating from contracts with customers, in order to identify any impacts deriving from introduction of the new accounting standard. The main cases examined include the following:
- placement and brokerage commissions recognised on third party products;
- servicing and management fees.

Based on the analyses performed, it has emerged that the accounting treatment for such cases is already in line with the provisions set forth in the new principle; consequently, only disclosure-related impacts were identified, as also required under the new Bank of Italy Circular 262, to the exclusion of any quantitative impacts.

IFRS 16

The new accounting principle IFRS 16, applicable as of 1st January 2019, introduces significant changes to the recognition of a lessee/user in the financial statements. In particular, the main change consists of removal of the distinction, established under IAS 17, between operating leases and financial leases: all lease agreements must be recognised as financial leases. For lessees/users - profitability and final cash flows being equal - this will tend to lead to an increase in the assets recognised on the balance sheet (assets under lease), an increase in liabilities (the payable related to the leased assets), a reduction in operating costs (lease payments), and an increase in financial costs (for the repayment and remuneration of the payable recognised).

In terms of disclosure, the minimum information required for lessees includes, among other things:
- a subdivision of the different categories of assets under lease;
- an analysis, by maturity, of the liabilities related to the lease agreements;
- all the information that may be useful for a better understanding of the entity's activity, with reference to the lease agreements (for example, early repayment or extension options).

Aside from certain increased disclosure requirements, there are no particular changes for lessors, for which the current distinction between operating leases and financial leases remains valid.

Analyses are currently under way to determine the impact, on the bank, of the application of this new principle; these analyses will primarily define the perimeter of its application and the relative accounting treatment.

Section 2 - General principles for preparation

The financial statements are comprised of a Balance Sheet, an Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Shareholders' Equity, a Cash Flow Statement, prepared using the direct method, and the Explanatory Notes. They are accompanied by the directors' Report on Operations.

The general guidelines for the preparation of financial statements (IAS 1) were applied without exception:
- accrual basis of accounting;
- business continuity;

- understandability;
- significance (materiality);
- reliability of information (faithful representation, substance over form, prudence, neutrality, and completeness);
- comparability.

The information reported in the financial statements is consistent with the accounting records. The financial statement tables are prepared in units of Euro and the Explanatory Notes and Report on Operations in thousands of Euro (unless indicated otherwise).

The criteria adopted for the preparation of these financial statements are consistent with those applied in the previous financial year, and the corresponding figures are provided. Additional information is also provided in order to supplement the financial statement figures, even when not specifically required by regulations.

Comparability of figures with respect to the reverse merger by incorporation

With respect to the previously mentioned merger by incorporation of the acquiring entity, Terfinance, the reverse merger took place using different book values with retroactive application to the merging company of the accounting and tax effects as of 1 January 2017 . Consequently, the financial statement and income effects of the management operations carried out by the merged company have been recognised as of this date, and the 2017 accounting balances of the merged company's financial statements have been adopted in the accounting records of the merging company.

The integration and consolidation process took place in the following operational phases:
- the accounting items of the merging companies were summed in order to obtain an initial reference aggregate;
- this aggregate was revised by way of the elimination of infragroup balances;
- the items comprising the shareholders' equity of the merged company were eliminated, against the issue of new shares based on the accounts at 30 June 2016, certified by an independent expert appointed by the Court of Salerno to determine the fairness of the exchange ratio;
- the period results from the reference date of 30 June 2016 to the accounting date of effect of the merger for both the merging company and the merged company were allocated to a special merger reserve;
- the items comprising the merging company's shareholders' equity were adjusted to their fair value, where deemed appropriate in accordance with the provisions of IFRS 3, with a reverse merger contra-entry.
- the adjusted shareholders' equity of the merging company was offset against the value of the investment stake held by the merged company, recognised at cost at 6,010 thousand Euro, using the partial goodwill method to define the *pro quota* portion of goodwill.

In the case of business combinations such as the one resulting in the creation of ViViBanca, the Bank of Italy's Circular 262 establishes that the comparative figures reported in the financial statements shall be those of the acquiring entity (2016 relating to the former Terfinance) in accordance with IFRS 3. For the purposes of comparability, the Annual Report provides a uniform comparison of book values (2016 pro forma obtained as the sum of the former Terfinance and the former Crediter).

Content of the financial statements tables

Balance sheet and income statement
The balance sheet and income statement tables are comprised of items, sub-items, and additional information. In the income statement, revenue is shown with no sign, while costs are shown in brackets.

Statement of comprehensive income
The statement of comprehensive income has been prepared in accordance with the Bank of Italy's instructions, with reference to the specific disclosures required by IAS 1.
The item "profit (loss) for the period" shows the same amount as reported in the same item of the income statement.
Changes in the asset values recognised during the financial year against the valuation reserves (net of taxes) are recognised in the items relative to "other income components, net of taxes".

Statement of changes in shareholders' equity
The statement of changes in shareholders' equity has been prepared in accordance with the Bank of Italy's instructions. It provides the composition of and changes in the shareholders' equity items during the financial year of reference, subdivided into share capital, equity-related and income related reserves, and the profit (loss) for the financial year.

Cash flow statement
The cash flow statement for the current and prior financial year of reference has been prepared using the direct method.
Cash flows are subdivided into those deriving from operating activities, those generated by investment activities, and those produced by funding activities.
The cash inflows during the financial year are presented with no sign, while the cash outflows are shown in brackets.

Content of the explanatory notes
The explanatory notes are comprised of the information required under Bank of Italy Circular No. 262/2005 and the additional information required by the IAS/IFRS.
In order to supplement the Bank of Italy's financial statement formats, the titles of sections related to financial statement items with a nil balance for the current financial year and the previous financial year are also provided.

Audits

These financial statements are submitted for audit by BDO Italia SpA, to which the audit appointment has been granted for the 2012-2020 period.

Section 3 - Events after the reporting date

No events took place in the period between the reporting date and the date of approval of the financial statements by the Board of Directors on 26 March 2018 such as would require changes to be made to the financial statement data approved by the Board of Directors, nor did any significant events occur such as would require supplementing the disclosures made herein.

Business continuity

In accordance with the information provided in Document No. 4 of 3 March 2010, jointly issued by the Bank of Italy, Consob (the Italian Commission for Listed Companies and the Stock Exchange), and ISVAP (the Italian Institute for Insurance Supervision) on "Information required in the financial statements regarding impairment tests, the contractual clauses of financial liabilities, debt restructuring, and fair value hierarchy", which makes reference to Document No. 2, again jointly issued by the above three authorities, the company has a reasonable expectation that it will continue operating into the foreseeable future, and has consequently prepared these financial statements on the assumption of its continuity.

Additional disclosures regarding the main issues and variables affecting the market are provided in the directors' Report on Operations.

Section 4 - Other aspects

Use of estimates and assumptions in the preparation of the financial statements

The preparation of these financial statements also requires the use of estimates and assumptions that may have significant effects on the values reported in the balance sheet and in the income statement, as well as on disclosures relative to contingent assets and liabilities reported in the financial statements. The preparation of these estimates requires the use of available information and the adoption of subjective valuations, including based on historical experience, applied to formulate reasonable assumptions for the recognition of operations. Because of their nature, the estimates and assumptions used may change from period to period. Consequently, it cannot be excluded that, in future periods, actual results may differ from these estimates, including significantly, following a change in the subjective assessments used.

The main aspects requiring the application of subjective assessments by management are:

- the quantification of impairment losses on loans and, in general, other financial assets;
- the use of valuation models to measure the fair value of financial instruments not listed on active markets;
- the calculation of provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets.

Reclassifications

For the purposes of financial statement presentation consistent with Circular no. 262, certain financial and income statement items have been reclassified. In order to comply with the principle of comparability of items, these changes have led to a reclassification of the balances reported in the previous year's financial statement tables as shown below:

	Balance sheet	**31/12/2016 before reclassification**	**Reclassification**	**31/12/2016 after reclassification**
	Assets			
60.	Due from banks	11.808.041	(151.682)	11.656.359,23
70.	Due from customers	60.331.390	(1.129.347)	59.202.042,90
130.	Tax assets *a)* current	488.974	(309.773)	179.201,21
140.	Other assets	8.307.102	1.590.802	9.897.903,66
	Liabilities			
10.	Due to banks	36.420.969	(7.029.262)	29.391.707
20.	Due to customers	13.060.726	(4.062.431)	8.998.295
80.	Tax liabilities *a)* current	398.887	(196.936)	201.951
100.	Other liabilities	11.159.834	10.628.663	21.788.497
140.	Provisions for risks and charges	637.415	659.966	1.297.381

The following transfers occurred in balance sheet items:
- postal accounts: from "Due from banks" to "Due from customers";
- receivables due from/to customers not attributable to any specific technical form, since they are being processed: from "Due from/to customers/banks" to "Other assets/liabilities";
- taxes other than IRES/IRAP: from "Tax assets/liabilities *a)* current" to "Other assets/liabilities";
- supplementary customer indemnities: from "Other liabilities" to "Provisions for risks and charges".

	Financial statement items	**31/12/2016 before reclassification**	**Reclassification**	**31/12/2016 after reclassification**
	Income Statement			
40.	Fee and commission expenses	(3.584.511)	(269.186)	(3.853.697)
130.	Net impairments/reversals owing to impairment of *d)* other financial operations	-	26.093	26.093
150.	Administrative expenses *b)* other administrative	(3.661.055)	375.120	(3.285.935)
160.	Net allocations to provisions for risks and charges	(527.986)	(61.050)	(589.036)
190.	Other management income/expenses	119.186	(70.977)	48.209

The following transfers occurred in income statement items:
- collection fees: from "Administrative expenses b) other administrative expenses" to "Commission expenses";
- impairments/reversals on financial guarantees issued: from "Other operating expenses/income" to "Net impairment/reversal owing to impairment of d) other financial transactions";
- net allocations to the supplementary customer indemnities: from "Administrative expenses b) other administrative expenses" to "Net allocations to provisions for risks and charges".

A.2 PRINCIPLES UNDERLYING THE MAIN FINANCIAL STATEMENT ITEMS

The accounting principles applied to the preparation of these financial statements are described below. The principles adopted are described with reference to the phases of classification, recognition, measurement, and derecognition of asset and liability items, as well as the method for recognition of revenue and expenses.

1 – Financial assets held for trading

Not present.

2 – Financial assets available for sale

Classification

This category includes financial assets that are not otherwise classified as loans, assets held for trading, assets held to maturity, or financial assets at measured at fair value.
In particular, this item includes debt instruments and capital instruments that are not classified in the above-mentioned categories.

Recognition

Financial assets are initially recognised at the settlement date of the instruments (both debt and equity instruments) or at the disbursement date for all other financial assets not classified as receivables.
They are initially recognised at their fair value, which equals the cost of the instrument, including transaction costs or revenue directly attributable to the instrument. Where, in the cases allowed under the accounting principles, recognition takes place following reclassification from financial assets held to maturity, the book value would be equal to the fair value at the moment of transfer.

Measurement

After initial recognition, financial assets available for sale are measured at fair value, recognising the corresponding value in the income statement at amortised cost, while profits or losses deriving from a change in fair value are recognised in a specific reserve in the shareholders' equity until the financial asset is derecognised or an impairment is recognised.
Upon total or partial divestment, or when an impairment loss is recognised, the cumulative profit or loss is reversed in the Income Statement. For the calculation of fair value, valuation estimates and models are based on market data; where such data is not available for unlisted alternative capital instruments, the cost is assumed as the best representation of fair value.
Financial assets available for sale are tested for impairment, in order to identify the existence of any objective evidence of a decrease in their value. Where such evidence exists, the amount of the loss is measured as the difference between the book value and the fair value of the asset. When the reasons for the impairment loss cease to exist following an event occurring after the impairment loss is recognised, a reversal of the impairment loss is recognised in the income statement. The amount of the reversal shall, in any case, never exceed the amortised cost that the instrument would have had in the absence of the prior impairment loss.

Derecognition

Financial assets are derecognised only when the sale of these financial assets results in a substantial transfer of all the risks and rewards of ownership of the assets. Conversely, if a significant portion of the risks and rewards associated with the financial assets sold is retained, these financial assets will continue to be recognised even though legal ownership has been effectively transferred. Where it is not possible to verify the substantial transfer of the risks and rewards, the financial assets are derecognised when no control over these assets is retained. However, if even a portion of this control is retained, the financial assets continue to be recognised in line with the company's residual involvement, measured by exposure to changes in the value of the assets sold and the changes in the related cash flows. Finally, financial assets sold are derecognised when the company retains the contractual rights to receive the related cash flows, with the concurrent obligation to pay these cash flows, and no additional amounts, to a third party.

3 – Financial assets held to maturity

Not present.

4 – Receivables and loans

Classification

Receivables and loans include amounts due from customers and banks, both directly disbursed and acquired from third parties, with fixed or determinable payments, are not listed on an active market, and are not initially recognised as financial assets available for sale.
This category includes inter-bank exposures, current accounts, mortgages, financial leases, consumer credit, and other forms of related loans.

Recognition

Receivables and loans are initially recognised at the disbursement date based on the fair value of the financial instrument, which equals the amount disbursed including any costs/revenue directly attributable to the individual receivable or loan and determinable from the outset of the transaction, even when they are subsequently liquidated.

Measurement

After initial recognition, receivables and loans are recognised at amortised cost, equal to the value at initial recognition minus/plus capital repayments, impairment losses/reversals of impairment losses, and amortisation – calculated using the effective interest rate method – of the difference between the amount disbursed and the amount at maturity, usually related to costs/revenue directly attributable to the individual receivable or loan. The effective interest rate is the rate that exactly equals the current value of future cash flows on the receivable or loan, in principal and interest, and the amount disbursed including costs/revenue attributable to the receivable or loan. This accounting method, which is based on a financial logic, allows for the economic effect of costs/revenue to be distributed over the expected residual life of the receivable or loan.
At each annual or interim reporting date, loans and receivables are tested for impairment to determine whether there is objective evidence of impairment (“impaired” status), in accordance with the Bank of Italy’s rules, due to events subsequent to initial recognition. These receivables and loans are tested for impairment as a whole, and the amount of the adjustment is equal to the difference between their book value at the measurement date (amortised cost) and the present value of the estimated future cash flows calculated using the original effective interest rate. Value adjustments are recognised in the income statement. The original value of receivables and loans is reversed in subsequent financial years when the reasons for the adjustment cease to exist, provided that this assessment objectively relates to an event that took place after the adjustment was recognised. Vale reinstatements are recognised in the income statement.
Receivables and loans for which no objective indicators of impairment are identified on an individual basis, i.e., unimpaired loans, are tested for impairment. Where an impairment is found, impairment losses are recognised. Categories of receivables and loans having similar credit risk characteristics are tested collectively, and loss rates are estimated based on historical series and based on elements observable at the measurement date, allowing for the latent impairment in each category of receivables and loans to be estimated. Collectively determined impairment losses are recognised in the income statement.

Derecognition

Sold receivables and loans are derecognised in the assets section of the balance sheet when their impairment leads to a full write-down of the corresponding fair value and if, and only if, substantially all the risks and rewards of ownership of the receivables and loans are transferred. This situation arises in the case of sales without recourse performed with reference to impaired positions whose economic effects are recognised in the income statement item profits/losses from the sale or repurchase of receivables or loans. Conversely, where the risks and rewards associated with the transferred receivable or loan is retained, the receivable or loan continues to be recognised in the assets section of the balance sheet, even though legal ownership has been effectively transferred. Derecognition also takes place upon the expiry of contractual rights or when the receivable or loan is deemed definitively irrecoverable.

5 – Financial assets valuated at fair value

Classification

Financial assets valuated at fair value with a contra-entry in the income statement include any financial assets designated as such at the time of acquisition, in accordance with the provisions of applicable regulations.
In particular, capital instruments not classified as financial assets available for sale are included under this item.

Recognition

Financial assets are initially recognised at their fair value, excluding transaction costs or revenue directly attributable to the instrument.

Measurement

Subsequently to initial recognition, these financial instruments are valuated at fair value. The effects of the application of this valuation criterion are recognised in the income statement.

Derecognition

Financial assets are derecognised only when the sale of these financial assets results in a substantial transfer of all the risks and rewards of ownership of the assets. Conversely, if a significant portion of the risks and rewards associated with the financial assets sold is retained, these financial assets will continue to be recognised even though legal ownership has been effectively transferred. Where it is not possible to verify the substantial transfer of the risks and rewards, the financial assets are derecognised when no control over these assets is retained. However, if even a portion of this control is retained, the financial assets continue to be recognised in line with the company's residual involvement, measured by exposure to changes in the value of the assets sold and the changes in the related cash flows. Finally, financial assets sold are derecognised when the company retains the contractual rights to receive the related cash flows, with the concurrent obligation to pay these cash flows, and no additional amounts, to a third party.

6 – Hedging

Not present.

7 – Equity investments

Not present.

8 – Tangible assets

Classification

Tangible assets having a functional use include owned vehicles, furniture and fittings, and any type of equipment. These assets are held for use in production, to supply goods and services, or for administrative purposes and are intended to be used over more than one period.

Tangible fixed assets intended for investment include fixed assets separated from terminated lease agreements and for which, following legal examination, a decision has been taken to bring the assets back into the perimeter of the company's asset structure for the purpose of their sale. These fixed assets are treated in accordance with the provisions of IAS 40 – Investment property, since, although a disinvestment strategy may exist, they relate to an illiquid market.

Recognition

Tangible fixed assets having a functional use are initially recognised at cost, which includes, in addition to the purchase price, any accessory costs directly attributable to the purchase and to placing the asset in working condition.

Tangible fixed assets intended for investment are measured at fair value, which is also inclusive of purchase costs. Initial recognition takes place through the accounting separation of the asset (underlying the lease receivable) from the category of assets granted under financial lease to the tangible assets category.

Measurement

Tangible fixed assets having a functional use are measured at cost, net of depreciation and any impairment losses. These fixed assets are amortised systematically over their useful life, based on the date they are put into operation. Potential value adjustments are recognised in the income statement.

Tangible fixed assets intended for investment are valuated by using the fair value method. In order to determine the appropriate market value, these fixed assets are assessed at least annually by independent experts, who shall indicate a range of values in addition to market values and the related status of the assets. For valuation purposes, the lowest spot realisable value has been identified as the reference value with a view to final valuation corrected downward by a further sale commission.
Value adjustments/reinstatements are recognised directly in the income statement.

Derecognition

A tangible fixed asset is derecognised from the balance sheet at the time of disposal or when it is permanently withdrawn from use and its disposal is not expected to generate future economic benefits. Disposal can also take place through the sale of the financial asset; the financial income or expenses deriving from elimination of the investment, deriving from the difference between net revenue from the disposal and the asset's book value, must be recognised directly in the income statement.

9 – Intangible assets

Classification

Intangible assets are comprised of identifiable non-monetary assets without physical substance. They are intended to be used over several years and arise from legal or contractual rights.

Software purchased from third parties is considered an intangible asset with a definite useful life.

The goodwill of Crediter SpA is an intangible asset with a indefinite useful life.

Recognition

Intangible assets with a definite useful life are recognised at cost, adjusted by any accessory expenses, only where it is likely that the future economic rewards attributable to the asset will be realised and where the cost of the asset itself can be reliably determined. Otherwise, the cost of the intangible asset is recognised in the income statement in the financial year in which it was sustained.

For business combination operations, the intangible assets with an indefinite useful life are recognised at fair value as an element separated from the purchase price of the asset itself.

Measurement

The cost of intangible fixed assets with a definite useful life is amortised at a constant rate based on the asset's useful life. At each reporting date, where there is evidence of an impairment, an estimate is performed of the asset's recovery value and any impairment (equal to the difference between the book value of the asset and the recoverable value). Value adjustments/reinstatements are recognised through changes in the values recorded in the assets section of the balance sheet, with a contra-entry in the income statement.

Intangible assets with an indefinite useful life are not amortised. Once the cash-generating unit is identified, these assets are periodically tested for any impairment. The amount of any impairment loss is determined based on the difference between the value of the asset under analysis and its recovery value, if lower. For business combinations, impairment tests are not required for the first twelve months after initial recognition.

Derecognition

An intangible fixed asset is derecognised at the time of its disposal or when it is not expected to generate future economic rewards.

10 – Non-current assets held for sale

Not present.

11 – Current and deferred taxes

Classification

Tax assets and liabilities subdivided according to the time-based criterion are recognised under this category.

Recognition

Direct and indirect tax assets and liabilities are recognised in the financial year in which the components that generated them are allocated, regardless of the year in which they will have a financial impact. Current tax assets and liabilities are recognised for tax assets and liabilities that, in accordance with the law, have a financial effect in relation to events occurring during the financial year of reference. When they pertain to facts or elements which will have a financial effect in subsequent financial years, they are recognised under deferred tax assets or deferred tax liabilities. The impact of current and deferred taxes is recognised by applying the tax rates currently in force. Income tax provisions are determined on the basis of a prudent estimate of the current and deferred tax burden. Specifically, deferred tax assets and liabilities are calculated considering the temporary differences – without time limits – between the value assigned to an asset or liability in accordance with the criteria set forth in the Italian Civil Code and the corresponding values assumed for tax purposes. Deferred tax assets related to deductible temporary differences or future tax benefits obtainable by carrying forward tax losses are recognised to the extent that their recovery is probable.

Measurement

Deferred tax assets and liabilities are systematically measured to reflect any changes in legislation or tax rates.

Derecognition

Current tax assets and liabilities are derecognised when the tax obligation to which they refer has been met. Deferred tax assets and liabilities are derecognised in the year in which the elements to which they refer contribute to establishment of the tax base.

12 – Provisions for risks and charges

Classification

Provisions for risks and charges are comprised of allocations related to present obligations arising from a past event for which it is probable that a disbursement of economic resources will be required to settle the obligation, provided that a reliable estimate of the relative amount can be made.

Recognition

Provisions are recognised whenever the above-described conditions are reliably met.

Measurement

The company's obligation is estimated by calculating the amount due based on contractual obligations, past behaviour, the most likely outcome of any disputes and, where necessary, based on estimates, including actuarial ones. Where the time factor is significant, provisions are discounted by using current market rates.

Derecognition

Provisions for risks and charges are derecognised when the relevant obligation is met in whole or in part and when the obligation ceases to exist.

13 – Payables and securities in circulation

Classification

Amounts due to banks, due to customers, and securities issued represent the different types of inter-bank and customer funding.

Recognition

These financial liabilities are initially recognised upon the receipt of funds or the issue of debt instruments. They are initially recognised at fair value, which is normally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual transaction and not reimbursed by the creditor.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Conversely, short-term liabilities continue to be measured as the consideration received, as the effect of the time factor would be negligible.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased.

14 – Financial liabilities held for trading

Not present.

15 – Financial liabilities valuated at fair value

Not present.

16 – Foreign currency transactions

Classification

Foreign currency transactions are comprised of all assets and liabilities expressed in currencies other than the Euro.

Recognition and valuation

Foreign currency transactions are initially recognised in the functional currency, applying the exchange rate in effect at the transaction date to the amount in the foreign currency.
At each annual reporting date, financial statement items in foreign currencies are measured at the exchange rate on the closing date.
Exchange rate differences arising from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial recognition translation rate or the prior closing rate are recognised in the income statement in the period in which they arise.

Derecognition

Derecognition follows the criteria described in respect of the corresponding balance sheet items, using the exchange rate at the settlement date.

17 – Other information

Leasehold improvements

The costs incurred for the renovation of properties not owned by the company are capitalised given that - for the duration of the lease - the subsidiary controls the assets and may derive future benefits therefrom. These costs are classified under other assets and are amortised over a period not greater than the duration of the lease agreement.

Accrued income and prepaid expenses and accrued expenses and deferred income

These items are comprised of the income and expenses relating to the period and accrued on assets and liabilities. They are recognised as an adjustment to the assets and liabilities to which they refer.

Treasury shares

The company has no treasury shares to be recognised against the shareholders' equity.

Severance indemnities

Severance indemnities are recognised at their actuarial value. For discounting purposes, this value is determined using the projected unit credit method, whereby future payments are projected using historical series analyses and demographical trends, and the financial discounting of these flows based on a market interest rate. The contributions paid each year are considered as individual units and are recognised and measured separately in order to calculate the final obligation.

Severance indemnities are comprised of interest costs (i.e., the change in the present value, based on the actuarial estimate at the previous reporting date, by reason of simply approaching the estimated repayment date) and service costs (which correspond to greater costs, mainly due to the increase in wages and salaries and the workforce). They are recognised in the income statement under "Personnel expenses", with the exception of actuarial gains/losses (equal to the difference in the present value due to changed macro-economic scenarios or estimated interest rates), which are recognised directly in the shareholders' equity.

Provisions for guarantees given and commitments

Analytical and collective provisions related to the estimated possible disbursements associated with the credit risk inherent in guarantees and commitments, calculated using the same criteria as described in respect of loans and receivables, are recognised under other liabilities in accordance with the Bank of Italy's instructions.

Additional information on the recognition of income components (revenue/costs)

Revenue and costs are recognised when received or paid or when it is probable that reliably quantifiable future risks/rewards will be received. The effects of transactions and other events are recognised when they take place, instead of when the relative amount is received or paid; they are reported in the accounting records and recognised in the financial statements in the years to which they refer, on the basis of the accrual principle.

Method for calculating amortised cost

The amortised cost of a financial asset or liability is the value at which it was measured at initial recognition, net of principal repayments, plus or minus total amortisation, calculated using the effective interest rate method, of the difference between the initial value and the value at maturity, net of any impairment losses.

The effective interest rate is the rate that equals the current value of a financial asset or liability balanced against the contractual flow of future cash payments or receipts until maturity or the next price recalculation date. The current value is calculated by applying the effective interest rate to future cash payments or receipts over the entire useful life of the financial asset or liability - or for a shorter period of time under certain circumstances (e.g., a revision of market rates).

After initial recognition, the amortised cost allocates recurring revenue and expense components (i.e., excluding investigation fees and stamp duties) as a decrease or increase in the instrument over its entire estimated useful life using the amortisation process.

A.3 DISCLOSURE ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1 Reclassified financial assets: book value, fair value, and effects on comprehensive income

The company did not reclassify any financial assets during the year.

A.3.2 Reclassified financial assets: effects on comprehensive income prior to the transfer

The company did not reclassify any financial assets during the year.

A.3.3 Transfer of financial assets held for trading

The company did not perform any portfolio transfers between the different financial asset categories during the year.

A.3.4 Effective interest rate and expected future cash flows from reclassified assets

The company did not reclassify any financial assets during the year.

A.4 INFORMATION ON FAIR VALUE

Fair value can be defined as the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. In accordance with IFRS 13, the fair value calculation has been adjusted for each asset or liability category. Consequently, a fair value measurement considers the characteristics of assets and liabilities. These characteristics include, inter alia, the condition and position of an asset and any restrictions on its use or sale. Fair value measurement assumes that the sale and/or transfer of the asset/liability takes place in the principal market of the asset/liability or, in the absence of such market, in the market most advantageous for the asset/liability.

Qualitative information

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

The valuation techniques used have been adjusted to the specific characteristics of the assets and liabilities measured, using:
- a market approach: this method uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- a revenue/costs approach: this method converts future amounts (cash flows or income and expenses) into a single (discounted) amount. When this approach is used, calculation of the fair value reflects current expectations regarding the future amounts. This technique also includes the "net present value" calculation method. With respect to the impact of "credit value adjustment" on the calculation of fair value, the counterparty risk of the portfolio of receivables due from customers is included in the portfolio impairment.

The choice of input is intended to maximise the use of inputs directly observable on the market, reducing the use of internal estimates to a minimum.

A.4.2 Measurement processes and sensitivity

The process used to calculate the fair value of individual balance sheet items is illustrated below.

With reference to the assets portion of the balance sheet:
- Securities: the fair value is determined by observing the measurement of financial instruments on the active market, or through communications from issuers, or, where these are unavailable, by the measurement of comparable assets. Where the market method cannot be applied, two different options are pursued:
    - for internally produced Junior asset-backed securities: the revenue/costs approach is adopted;
    - for unlisted capital instruments measured at cost: it is assumed that the fair value of these capital instruments corresponds to the book value.
- Due from banks: for this item, it is assumed that the fair value corresponds to the book value;
- Due from customers: for this item, it is assumed that the fair value corresponds to the book value, with the exception of;
    - impaired loans intended for sale: the fair value of these loans is defined based on observable market estimates based on an active market in the process of being defined, in consideration the frequent sale of NPLs. The company considers that the recognition of these values using the "market approach" rather than the "revenue/cost approach" is more consistent and transparent, including by reason of the potential disposal of these items, even though no binding offers had been received on these financial assets at the reporting date.
    - salary-backed loans (intended for ongoing divestment within a relatively short period): the fair value of these loans is determined as the average sale differential, derived from a comparison of the accounting rate and the sale rate (both elements identifiable on the market or through external buyers) in the last quarter (where no such sales have taken place in the last quarter, the period shall extend to the last half-year).
- Tangible fixed assets intended for investment: in order to determine their appropriate market value, these fixed assets are assessed at least annually by independent experts, who indicate a range of values in addition to market values and the relative status of the assets. For valuation purposes, the lowest spot realisable value has been identified as the reference value with a view to final valuation corrected downward by a further sale commission.
- Intangible fixed assets with an indefinite useful life: for this item, it is assumed that the fair value corresponds to the book value since it is periodically tested for any impairment losses.

With reference to the liabilities portion of the balance sheet:
- Due to banks: for this item, it is assumed that the fair value corresponds to the book value;
- Due to customers: for this item, it is assumed that the fair value corresponds to the book value;
- Securities in circulation: fair value is calculated by discounting estimated cash flows using corrective factors that consider the internal counterparty risk and liquidity risk of the instrument.

A.4.3 Fair value hierarchy

With a view to increasing the consistency and comparability of fair value determination, IFRS 13 establishes a hierarchy in function of the inputs used for the different measurement techniques. The hierarchy gives preference to the use of prices listed on active markets related to identical assets and/or liabilities rather than the use of inputs that cannot be observed directly on the market. Specifically:
- Level 1: fair value can be observed directly on the active markets to which the entity has access on the date the fair value of identical or comparable assets/liabilities is determined.
- Level 2: fair value is calculated internally, based on inputs directly observable on the market.
- Level 3: fair value is calculated internally, based on indirectly observable inputs.

A.4.4 Other information

No additional information is required with reference to the provisions of IFRS 13, paragraphs 51, 93.i), and 96.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Financial assets and liabilities measured at fair value on a recurring basis: distribution by fair value level

	31/12/2017			31/12/2016		
Assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading						
2. Financial assets measured at fair value			37			
3. Financial assets available for sale	10.109		249			131
4. Hedging derivatives						
5. Tangible assets			7.089			
6. Intangible assets			1.236			
Total	**10.109**		**8.610**			**131**
1. Financial liabilities held for trading						
2. Financial liabilities valuated at fair value						
3. Hedging derivatives						
Total						

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

At the reporting date, no assets and liabilities had been transferred between the different fair value levels.

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

	Financial assets held for trading	Financial assets valuated at fair value	Financial assets available for sale	Hedging derivatives	Tangible assets	Intangible assets
1. Initial figures			**131**			
2. Increases		**43**	**118**		**7.089**	**1.236**
2.1 Purchases		7	118			
2.2 Profits recognised in the:						
2.2.1 Income statement						
- capital gains						
2.2.2 Shareholders' equity	X	X				
2.3 Transfers to other levels						
2.3 Other increases		36			7.089	1.236
3. Decreases		**6**				
3.1 Sales						
3.2 Redemptions						
3.3 Losses recognised in the:						
3.3.1 Income statement						
- capital losses		6				
3.3.2 Shareholders' equity						
3.4 Transfers to other levels						
3.5 Other decreases						
4. Closing figures		**37**	**249**		**7.089**	**1.236**

A.4.5.3 Annual changes in the liabilities measured at fair value on a recurring basis (level 3)

Not applicable.

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

Assets/liabilities not valuated at fair value or measured at fair value on a non-recurring basis	31/12/2017				31/12/2016			
	BV	**L1**	**L2**	**L3**	**BV**	**L1**	**L2**	**L3**
1. Financial assets held to maturity								
2. Due from banks	84.173			84.173	11.656			11.618
3. Due from customers	115.033		7.749	106.103	59.202			59.202
3. Tangible assets held for investment purposes								
4. Non-current assets and groups of assets held for sale								
Total	**199.206**			**190.276**	**70.858**			**70.820**
1. Due to banks	56.595			56.595	29.392			29.392
2. Due to customers	104.191			104.191	8.998			8.998
3. Securities issued	15.771			15.648				
4. Liabilities associated with assets held for sale								
Total	**176.557**			**176.434**	**38.390**			**38.390**

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

At the reporting date, the ABS Senior securities, classified as Due from customers, were transferred from L3 to L2 following the listing of the debt instruments on the Luxembourg Stock Exchange, despite the fact that no further trading was identified at the reporting date other than placement of the instruments on the primary market.

A.5 DAY ONE PROFIT/LOSS DISCLOSURE

The company has no financial instruments that meet the requirements set forth under IFRS 7, paragraph 28.

Part B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and liquidity – Item 10

1.1 Cash and liquidity: composition

	Total 31/12/2017	Total 31/12/2016
a) Cash on hand b) Unrestricted deposits at central banks	69	3
Total	**69**	**3**

Section 2 – Financial assets held for trading – Item 20

The company has no financial assets designated in this category.

Section 3 – Financial assets valuated at fair value – Item 30

3.1 Financial assets valuated at fair value: composition by type

Items/Values	Total 31/12/2017			Total 31/12/2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities			37			
3. Shares in UCIs						
4. Loans						
4.1 Structured						
4.2 Other						
Total			**37**			
Cost			**37**			

3.2 Financial assets measured at fair value: composition by debtor/issuer

Items/Values	Total 31/12/2017	Total 31/12/2016
1. Debt securities		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other issuers		
2. Equity securities	**37**	
a) Banks	27	
b) Other issuers	10	
- insurance companies		
- financial companies		
- non-financial companies	10	
- other		
3. Shares in UCIs		
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**37**	**-**

The equity securities, which the company has no intention of selling in the short term, are measured at cost since the issuers do not hold any stakes:

Company/Entity	Purpose	Registered office	% equity investment	Value
Cassa di Risparmio di Cesena SpA	FITD participation	Cesena	0.00%	22
Fondo Interbancario di Tutela dei Depositi	FITD participation	Rome	0.00%	1
Banca Popolare del Mediterraneo ScpA	Commercial partnership	Naples	0.00%	4
GAL Colline Salernitane Srl	Territorial development	Salerno	0.01%	10
			Total	**37**

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: composition by type

Items/Values	Total 31/12/2017			Total 31/12/2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	10.109					
1.1 Structured securities						
1.2 Other debt securities	10.109					
2. Equity securities			200			131
2.1 Valuated at fair value						
2.2 Valuated at cost			200			131
3. Shares in UCIs			49			
4. Loans						
Total	**10.109**		**249**			**131**

4.2 Financial assets available for sale: composition by debtor/issuer

Items/Values	Total 31/12/2017	Total 31/12/2016
1. Debt securities	**10.109**	
a) Governments and central banks	10.109	
b) Other public entities		
c) Banks		
d) Other issuers		
2. Equity securities	**200**	**131**
a) Banks	95	66
b) Other issuers	105	65
- insurance companies		
- financial companies	40	
- non-financial companies	65	65
- other		
3. Shares in UCIs	**49**	
4. Loans		
a) Governments and central banks		
b) Other public entities		
c) Banks		
d) Other entities		
Total	**10.358**	**131**

The equity securities, which the company has no intention of selling in the short term, are measured at cost since the issuers do not hold any stakes:

Company/Entity	Purpose	Registered office	% equity investment	Value
Banca Alpi Marittime CC di Carrù ScpA	Commercial partnership	Carrù	0.26%	40
Banca Valsabbina ScpA	Commercial partnership	Brescia	0.01%	29
Banca di CC di Cherasco ScpA	Commercial partnership	Cherasco	0.15%	26
Fineuro Srl	Commercial partnership	Catania	9.90%	40
Lime Film Srl	Advertising	Rome	N/A	65
			Total	**200**

4.3 Financial assets available for sale subject to specific hedging

The financial assets available for sale are not subject to specific hedging.

Section 5 – Financial assets held to maturity – Item 50

The company has no financial assets designated in this category.

Section 6 – Due from banks – Item 60

6.1 Due from banks: composition by type

Type of operation	Total 31/12/2017				Total 31/12/2016			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks								
1. Time deposits		X	X	X		X	X	X
2. Minimum reserve		X	X	X		X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Due from banks	**84.173**			**84.173**	**11.656**			**11.618**
1. Loans	84.173			84.173	10.754			10.754
1.1 Bank accounts and unrestricted deposits	17.811	X	X	X	2.776	X	X	X
1.2 Time deposits	5.158	X	X	X	3.273	X	X	X
1.3 Other loans:	61.204	X	X	X	4.705	X	X	X
- Reverse repurchase agreements		X	X	X		X	X	X
- Financial leases		X	X	X		X	X	X
- Other	61.204	X	X	X	4.705	X	X	X
2. Debt securities					902			864
2.1 Structured securities		X	X	X		X	X	X
2.2 Other debt instruments		X	X	X	902	X	X	X
Total	**84.173**			**84.173**	**11.656**			**11.618**

Legend:
FV = fair value
BV = book value

The sub-item "Time deposits" includes:
- the minimum reserve, indirectly allocated, equal to 747 thousand Euro;
- the deposits to guarantee servicing activities on the SPBLs sold, equal to 3,345 thousand Euro;
- the deposits to guarantee the settlement of banking movements on the Italian RNI channel, equal to 1,066 thousand Euro.

The sub-item "Other loans – Other" includes a receivable from ING Bank generated by the sale of SPBLs performed on 30 December 2017. This exposure was duly received on the first business day following completion of the transaction, i.e., on 2 January 2018.

6.2 Due from banks, subject to specific hedging

The amounts due from banks are not subject to specific hedging.

6.3 Financial leases

Receivables due from banks do not contain any financial lease transactions.

Section 7 – Due from customers – Item 70

7.1 Due from customers: composition by type

Type of operation	Total 31/12/2017						Total 31/12/2016					
	Book value			Fair Value			Book value			Fair Value		
	Unimpaired	Impaired		L1	L2	L3	Unimpaired	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**85.091**	**3.222**	**17.028**			**104.160**	**34.652**		**19.985**			**54.637**
1. Current accounts	5.374		1.896	X	X	X				X	X	X
2. Reverse repurchase agreements				X	X	X				X	X	X
3. Loans	14.384		3.304	X	X	X				X	X	X
4. Credit cards, personal loans	47.657	3.160	3.017	X	X	X	14.760		3.061	X	X	X
and salary-backed loans				X	X	X				X	X	X
5. Financial leases	13.016		8.627	X	X	X	14.052		16.389	X	X	X
6. Factoring				X	X	X				X	X	X
7. Other loans	4.660	62	184	X	X	X	5.840		535	X	X	X
Debt securities	**9.692**				**7.749**	**1.943**	**4.565**					**4.565**
8. Structured securities				X	X	X				X	X	X
9. Other debt instruments	9.692			X	X	X	4.565			X	X	X
Total	**94.783**	**3.222**	**17.028**		**7.749**	**106.103**	**39.217**		**19.985**			**59.202**

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

The impaired loans purchased refer to SPBLs originating from the transaction performed with Banca Popolare di Bari in December 2017; these entries, in addition to being considered at their purchase price, are directly managed and have a high recovery capacity given that they are technical past due amounts.

The sub-item "Other loans" is primarily composed of:
- receivables due from third party seller administrations (paying entities on SPBL files), in compliance with the provisions of supervisory regulations;
- repayment plans;
- two investment insurance policies totalling 2,056 thousand Euro.

The sub-item "Other debt instruments", composed of ABS and relating to securitisation operation no. 1091 for Eridano SPV, in which ViViBanca was the originator, represents the total amount in accordance with the retention rule established under applicable regulations, equal to at least 5% of the securities issued by the vehicle, which are respectively subdivided into Senior Notes (87% or 7.749 thousand Euro) rated Moody's Aa2 and DBRS A (high), and Junior Notes (equal to 1.943 thousand Euro and comprising the remaining percentage).

7.2 Due from customers: composition by debtor/issuer

Type of operation	Total 31/12/2017			Total 31/12/2016		
	Unimpaired	Impaired		Unimpaired	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**9.692**			**4.565**		
a) Government						
b) Other public entities						
c) Other issuers	9.692			4.565		
- non-financial companies						
- financial companies	9.692			4.565		
- insurance companies						
- other						
2. Loans to:	**85.091**	**3.222**	**17.028**	**34.652**		**19.985**
a) Government	274	7	40			
b) Other public entities	588			74		
c) Other entities	84.229	3.215	16.988	34.578		19.985
- non-financial companies	26.780	55	13.037	13.815		16.389
- financial companies	1.647		21	5.315		
- insurance companies	2.056					
- other	53.746	3.160	3.930	15.448		3.596
Total	**94.783**	**3.222**	**17.028**	**39.217**		**19.985**

7.3 Due from customers subject to specific hedging

Due from customers are not subject to specific hedging.

7.4 Financial leases

Minimum payments	Total 31/12/2017		Total 31/12/2016	
	Gross value	Present value	Gross value	Present value
- up to 12 months	1.659	840	1.779	900
- from one year to five years	7.312	4.099	7.470	4.458
- beyond five years	17.736	14.003	18.770	14.622
Total	**26.707**	**18.942**	**28.019**	**19.980**
- with unsecured residual values owing to the lessor				
- deferred financial profits	(7.765)		(8.039)	
Total	**18.942**	**18.942**	**19.980**	**19.980**

Lease agreements placed with customers primarily fall into the real estate category.

Section 8 – Hedging derivatives – Item 80

The company has no asset derivative contracts for hedging purposes.

Section 9 – Adjustments in the value of financial assets subject to macro-hedging – Item 90

The company has no asset derivative contracts for hedging purposes.

Section 10 – Equity investments– Item 100

10.1 Investment stakes: information on stakes held

The company does not hold any equity investments.

10.2 Significant investment stakes: book value, fair value, and dividends received

The company does not hold any equity investments, and no related income has been received.

10.3 Significant investment stakes: accounting information

The company does not hold any equity investments.

10.4 Non-significant investment stakes: accounting information

The company does not hold any equity investments.

10.5 Equity investments: annual changes

Items/Values	Total 31/12/2017	Total 31/12/2016
A. Initial figures	**6.010**	
B. Increases		**6.010**
B.1 Purchases		6.010
B.2 Value reinstatements		
B.3 Revaluations		
B.4 Other changes		
C. Decreases	**(6.010)**	
C.1 Sales		
C.2 Value adjustments		
C.3 Other changes	(6.010)	
D. Final inventory	**-**	**6.010**
E. Total revaluations		
F. Total adjustments		

The sub-item "Other changes" includes the derecognition of the investment stake in Crediter resulting from the reverse merger by incorporation with Crediter.

10.6 Commitments relating to investment stakes in companies jointly controlled

The company does not hold any equity investments.

10.7 Commitments relating to investment stakes in companies over which significant influence is held

The company does not hold any equity investments.

10.8 Significant restrictions

The company does not hold any significant restrictions.

10.9 Other information

There is no further information to report.

Section 11 – Tangible assets – Item 110

11.1 Tangible assets having a functional use: composition of assets valuated at cost

Asset/Value	Total 31/12/2017	Total 31/12/2016
1. Assets owned	**852**	**174**
a) land		
b) buildings		
c) furniture	199	1
d) electronic equipment	273	100
e) other	380	73
2. Assets acquired through financial leases		
a) land		
b) buildings		
c) furniture		
d) electronic equipment		
e) other		
Total	**852**	**174**

11.2 Tangible assets held for investment purposes: composition of the assets measured at cost

The company holds no tangible assets for investment purposes that are measured at cost.

11.3 Tangible assets having a functional use: composition of revalued assets

The company holds no revalued tangible assets having a functional use.

11.4 Tangible assets held for investment purposes: composition of assets valuated at fair value

Asset/Value	Total 31/12/2017			Total 31/12/2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Assets owned			**7.089**			
a) land						
b) buildings			7.089			
2. Assets acquired through financial leases						
a) land						
b) buildings						
Total			**7.089**			

Following legal examination of the individual contracts, the real estate component was separated from the terminated lease agreements, the assets relating to which have been fully included in the perimeter of the company's assets for the purpose of their divestment. The assets in question refer to an illiquid market and present the following characteristics:

- industrial and commercial in nature;
- average-large in size;
- located in central Italy.

Although strategies exist for their sale, given the nature of the properties and the context of the Italian market, a certain date for their divestment cannot be reliably determined. The fair value of the properties in question is assessed at least annually by independent experts, who indicate a range of values in addition to market values and the related status of the assets (for which no renovations are planned at the present time). Within this context and for measurement purposes, the lowest realisable value has been adopted as the reference value in view of their final valuation (without taking into account any rental income), corrected downward by an additional sale commission equal to 2% of the transaction value determined.

11.5 Tangible assets having a functional use: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial figures			**113**	**263**	**198**	**574**
A.1 Total net impairments			(112)	(163)	(125)	(400)
A.2 Net initial figures			**1**	**100**	**73**	**174**
B. Increases			**228**	**218**	**374**	**820**
B.1 Purchases			155	199	301	655
B1.1. Business aggregation operations			73	19	73	165
B.2 Capitalised leasehold improvements						
B.3 Value reinstatements						
B.4 Increases in fair value recognised under:						
a) shareholders' equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from property held for investment purposes						
B.7 Other changes						
C. Decreases			**(30)**	**(45)**	**(67)**	**(142)**
C.1 Sales						
C.2 Amortisations			(30)	(45)	(67)	(142)
C.3 Impairments owing to impairments recognised under:						
a) shareholders' equity						
b) income statement						
C.4 Decreases in fair value recognised under:						
a) shareholders' equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) tangible assets held for investment purposes						
b) assets held for sale						
C.7 Other changes						
D. Net closing figures			**199**	**273**	**380**	**852**
D.1 Total net impairments			(142)	(208)	(192)	(542)
D.2 Gross closing figures			**341**	**481**	**572**	**1.394**
E. Valuation at cost						

11.6 Tangible assets held for investment purposes: annual changes

	Total	
	Land	Buildings
A. Gross initial figures		
B. Increases		**7.089**
B.1 Purchases		
B.2 Capitalised leasehold improvements		
B.4 Increases in fair value		
B.4 Value reinstatements		
B.5 Positive exchange rate differences		
B.6 Transfers from property having a functional use		
B.7 Other changes		7.089
C. Decreases		
C.1 Sales		
C.2 Amortisations		
C.3 Decreases in fair value		
C.3 Impairments owing to impairment		
C.5 Negative exchange rate differences		
C.6 Transfers from other asset portfolios:		
a) property having a functional use		
b) non-current assets held for sale		
C.7 Other changes		
D. Net closing figures		**7.089**
E. Valuation at fair value		7.089

11.7 Commitments to purchase tangible assets (IAS 16.74.c)

The company does not have any commitments to purchase tangible assets.

Section 12 – Intangible assets – Item 120

12.1 Intangible assets: composition by asset type

Asset/Value	31/12/2017		31/12/2016	
	Definite duration	Indefinite duration	Definite duration	Indefinite duration
A.1. Goodwill	X	**1.236**	X	
A.2. Other intangible assets	**832**		**765**	
A.2.1 Assets valuated at cost:	832		765	
a) Intangible assets generated internally				
b) Other assets	832		765	
A.2.2 Assets valuated at fair value:				
a) Intangible assets generated internally				
b) Other assets				
Total	**832**	**1.236**	**765**	

12.2 Intangible assets: annual changes

	Goodwill	Other assets intangible: generated internally		Other assets intangible: other		Total
		DEF	INDEF	DEF	INDEF	
A. Initial figures				**3.929**		**3.929**
A.1 Total net impairments				(3.164)		(3.164)
A.2 Net initial figures				**765**		**765**
B. Increases	**1.236**			**329**		**-**
B.1 Purchases	1.236			328		
B1.1. Business aggregation operations				1		
B.2 Increases in internal intangible assets	X					
B.3 Value reinstatements	X					
B.4 Increases in fair value						
- under shareholders' equity	X					
- in the income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes						-
C. Decreases				**(262)**		**-**
C.1 Sales						
C.2 Value adjustments						
- Amortisation	X			(262)		
- Write-downs						
+ under shareholders' equity	X					
+ in the income statement						
C.3 Decreases in fair value						
- under shareholders' equity	X					
- in the income statement	X					
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
D. Net closing figures	**1.236**			**832**		**2.068**
D.1 Total net value adjustments				(3.426)		(3.426)
E. Gross closing figures	**1.236**			**4.258**		**5.494**
F. Valuation at cost						

Legend:
DEF: having a definite duration
INDEF: having an indefinite duration

12.3 Other information

In compliance with the provisions of IFRS 3, by virtue of the 12 months from the aggregation date granted under regulations, no impairment has been applied to the goodwill.

Section 13 – Tax assets and tax liabilities – Item 130 of the assets and Item 80 of the liabilities

13.1 Deferred tax assets: composition

	Total 31/12/2017	Total 31/12/2016
IRAP: Law 214/2011	174	92
IRES: Law 214/2011	2.212	1.546
IRES: other	-	67
IRES: tax losses	2.620	107
IRES: ACE (*Aiuto alla Crescita Economica* [Italian Economic Growth Aid])	345	68
IRES: other	435	243
IRES: valuation reserves	62	27
Total	**5.848**	**2.150**

13.2 Deferred tax liabilities: composition

The company has no deferred tax liabilities.

13.3 Changes in deferred tax assets (with a contra-entry in the income statement)

	Total 31/12/2017	Total 31/12/2016
1. Initial amount	**2.123**	**2.600**
2. Increases	**4.724**	**224**
2.1 Deferred tax assets recognised in the financial year	562	
a) relative to previous financial years	151	
b) owing to changes in accounting criteria		
c) Value reinstatements		
d) other	411	224
2.2 New taxes or increases in tax rates		
2.3 Other increases	4.162	
3. Decreases	**(1.061)**	**(701)**
3.1 Deferred tax assets derecognised in the financial year	(602)	
a) reversals	(535)	(701)
b) write-downs owing to supervening uncollectability		
c) owing to changes in accounting criteria		
d) other	(67)	
3.2 Decreases in tax rates		
3.3 Other decreases		
a) transformation into tax credits pursuant to Law No. 214/2011	(459)	
b) other		
4. Final amount	**5.786**	**2.123**

The portion of deferred tax assets relative to tax losses that can be carried forward to future financial years equals 2,636 thousand Euro.

13.3.1 Changes in deferred tax assets pursuant to Law 214/2011 (with a contra-entry in the income statement)

	Total 31/12/2017	Total 31/12/2016
1. Initial amount	**1.638**	**1.724**
2. Increases	**1.345**	**-**
3. Decreases	**(597)**	**(86)**
3.1 Reversals	(138)	(86)
3.2 Transformation into tax credits	(459)	
a) deriving from operating losses		
b) deriving from tax losses	(459)	
3.3 Other decreases		
4. Final amount	**2.386**	**1.638**

13.4 Changes in deferred tax liabilities (with a contra-entry in the income statement)

	Total 31/12/2017	Total 31/12/2016
1. Initial figures	**-**	**2**
2. Increases		
2.1 Deferred tax liabilities recognised in the financial year		
a) relative to previous financial years		
b) owing to changes in accounting criteria		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**-**	**(2)**
3.1 Deferred tax liabilities derecognised in the financial year		
a) reversals		(2)
b) owing to changes in accounting criteria		
c) other		
3.2 Decreases in tax rates		
3.3 Other decreases		
4. Final amount	**-**	**-**

13.5 Changes in deferred tax assets (with a contra-entry in the shareholders' equity)

	Total 31/12/2017	Total 31/12/2016
1. Initial figures	**27**	**17**
2. Increases	**58**	**10**
2.1 Deferred tax assets recognised in the financial year		
a) relative to previous financial years		
b) owing to changes in accounting criteria		
c) Value reinstatements		
2.2 New taxes or increases in tax rates		
2.3 Other increases	58	10
3. Decreases	**(23)**	
3.1 Deferred tax assets derecognised in the financial year		
a) reversals	(18)	
b) write-downs owing to supervening uncollectability		
c) owing to changes in accounting criteria		
d) other		
3.2 Decreases in tax rates		
3.3 Other decreases	**(5)**	
4. Final amount	**62**	**27**

13.6 Changes in deferred taxes (with a contra-entry in the shareholders' equity)

The company has no deferred tax liabilities.

13.7 Other information

	Total 31/12/2017	Total 31/12/2016
IRAP advances	126	179
IRAP receivables	12	
IRAP receivables	8	
Tax credits for transformation of DTAs pursuant to Law 21/2011	1.190	
Other		
Current tax assets	**1.336**	**179**
IRAP taxes	-	202
Other		
Current tax liabilities	**-**	**202**

Section 14 – Non-current assets and groups of assets in the process of divestment, and associated liabilities – Item 140 of the assets and Item 90 of the liabilities

The company holds no non-current assets or groups of assets in the process of divestment, or any associated liabilities.

Section 15 – Other assets – Item 150

	Total 31/12/2017	Total 31/12/2016
Processing accounts	1.848	604
Tax balances	694	401
Security deposits	20	13
Servicing of loans sold and derecognised (receipts and expenses)	2.440	7.005
Accrued income and prepaid expenses not attributable to items under own category	333	197
Leasehold improvements	459	7
Trade receivables	685	342
Advances to agents and suppliers	2.161	1.329
Total	**8.640**	**9.898**

Other assets, equal to 8.6 million Euro, have decreased compared to the previous financial year and are mainly composed of:

- processing accounts: these are related to receipt and payment operations (SEPA transfers, customer debits, insurance receivables due for collection);
- servicing of loans sold and derecognised: consisting of cash advances made to buyers for receipts and expenses, down by 4.6 million Euro due to termination of the management contract with Banca Popolare di Bari;
- advances to agents and suppliers: these are up by 0.8 million Euro and relate to commitments to the commercial network.

Liabilities

Section 1 – Due to banks – Item 10

1.1 Amounts due to banks: composition by type

Type of operation	Total 31/12/2017	Total 31/12/2016
1. Due to central banks		
2. Due to banks	**56.595**	**29.392**
2.1 Bank accounts and unrestricted deposits	400	21.908
2.2 Time deposits	53.122	
2.3 Loans	3.072	7.484
2.3.1 Repurchase agreements		
2.3.2 Other	3.072	7.484
2.4 Due for commitments to repurchase own equity instruments		
2.5 Other payables	1	
Total	**56.595**	**29.392**
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	56.595	29.392
Total fair value	**56.595**	**29.392**

The sub-item "Time deposits" includes transactions on the inter-bank market with consolidated partners, with a duration not greater than six months.

The sub-item "Other loans" includes two medium-long term transactions stipulated by the acquired company in 2016.

1.2 Details of Item 10 "Due to banks": subordinated debts

The due to banks contain no subordinated debts.

1.3 Details of Item 10 "Due to banks": structured debts

The due to banks contain no structured debts.

1.4 Due to banks, subject to specific hedging

The due to banks are not subject to specific hedging.

1.5 Due for financial leases

The due to banks do not contain any financial lease transactions.

Section 2 – Due to customers – Item 20

2.1 Due to customers: composition by type

Type of operation	Total 31/12/2017	Total 31/12/2016
1. Current accounts and unrestricted deposits	28.550	
2. Time deposits	75.522	
3. Loans		8.998
3.1 Repurchase agreements		
3.2 Other		8.998
4. Due for commitments to repurchase own equity instruments		
5. Other payables	119	
Total	**104.191**	**8.998**
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	104.191	8.998
Total fair value	**104.191**	**8.998**

The sub-item "Time deposits" primarily includes the funding procured by ViViBanca through customer relationships.

2.2 Details of Item 20 "Due to customers": subordinated debts

The due to customers contain no subordinated debts.

2.3 Details of Item 20 "Due to customers": structured debts

The due to customers contain no structured debts.

2.4 Due to customers, subject to specific hedging

The due to customers are not subject to specific hedging.

2.5 Due for financial leases

The due to customers do not contain any financial lease transactions.

Section 3 – Securities issued – Item 30

3.1 Securities issued: composition by type

Type of operation	Total 31/12/2017				Total 31/12/2016			
	Book value	*Fair Value*			Book value	*Fair Value*		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds								
1.1 structured								
1.2 other	12.044			11.921				
2. Other securities	3.727			3.727				
2.1 structured								
2.2 other	3.727			3.727				
Total	**15.771**			**15.648**				

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

The sub-item "Other securities - other" includes the certificates of deposit issued by the former Crediter and maturing by 2019.

The sub-item "Bonds - other" includes conventional and subordinated securities (details below).

3.2 Details of Item 30 "Securities issued": subordinated securities

Type of security	Total 31/12/2017
Bonds - other:	
Lower Tier II - 4.25% - maturity 10/04/2019	2.606
Lower Tier II - 4.00% - maturity 15/10/2019	1.010
Lower Tier II - 3.25% - maturity 30/04/2020	1.000
Lower Tier II - 2.75% + 6M Euribor - maturity 30/11/2027	7.001
Total	**11.617**

3.3 Securities issued and subject to specific hedging

The securities issued are not subject to specific hedging.

Section 4 – Financial liabilities held for trading – Item 40

The company has no financial liabilities in this category.

Section 5 – Financial liabilities valuated at fair value – Item 50

The company has no financial liabilities in this category.

Section 6 – Hedging derivatives – Item 60

The company has no liability derivative contracts for hedging purposes.

Section 7 – Adjustments in the value of financial liabilities subject to macro-hedging – Item 70

The company has no liability derivative contracts for hedging purposes.

Section 8 – Tax liabilities – Item 80

See Section 14 of the assets.

Section 9 – Liabilities associated with assets held for sale – Item 90

The company does not have any liabilities associated with assets held for sale.

Section 10 – Other liabilities – Item 100

Items/Values	Total 31/12/2017	Total 31/12/2016
Processing accounts	11.188	4.630
Tax balances	694	197
Servicing of loans sold and derecognised (receipts and expenses)	4.427	10.132
Due to personnel and social security institutions	846	370
Trade payables	4.356	3.259
Accrued expenses and deferred income	2.746	3.131
Provision for risks on guarantees given	51	69
Total	**24.308**	**21.788**

Other liabilities, equal to 24.3 million Euro, have increased compared to the previous financial year and are mainly composed of:

- processing accounts: temporarily up by 6.6 million Euro and comprised mainly of receipts and payments (such as SEPA transfers, customer debits, operational items associated with SPBL products);
- *servicing of loans sold and derecognised: down by 5.7 million Euro due to termination of the contract with Banca Popolare di Bari;*
- trade payables: up by 1.1 million Euro, mainly attributable to commitments to the commercial network for commissions and bonuses;
- accrued expenses and deferred income not attributable to their specific items: down by 0.4 million Euro, these are mainly composed of deferred revenue associated with early repayments regarding SPBLs sold.

Section 11 – Employee severance indemnities – Item 110

11.1 Employee severance indemnities: annual changes

	Total 31/12/2017	Total 31/12/2016
A. Initial figures	**605**	**519**
B. Increases	**687**	**149**
B.1 Allocations during financial year	207	110
B.2 Other changes	480	39
C. Decreases	**(162)**	**(63)**
C.1 Liquidations performed	(143)	(63)
C.2 Other changes	(19)	
D. Final inventory	**1.130**	**605**
Total	**1.130**	**605**

In conformity with the reforms introduced with IAS 19, actuarial gains and losses have been recognised using the OCI method, respectively in the decreases in the item "Other changes".

11.2 Other information

The additional information required under IAS 19 for applicable post-employment benefit plans is provided below:

Sensitivity analysis of the main parameters measuring data on the change in actuarial hypotheses (000/Euro):

+1.00% on the turnover rate	1,121
-1.00% on the turnover rate	1,140
+0.25% on the annual inflation rate	1,151
-0.25% on the annual inflation rate	1,110
+0.25% on the annual discounting rate	1,105
-0.25% on the annual discounting rate	1,157

Contribution for the next financial year (000/Euro):
Service cost: 94

Average financial duration of the obligation for defined benefit plans:
Duration of the plan: 13.5 years

Disbursements estimated in the plan (000/Euro):

Year 1	103
Year 2	109
Year 3	116
Year 4	121
Year 5	126

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: composition

Items/Values	Total 31/12/2017	Total 31/12/2016
1. Company pension funds		
2. Other provisions for risks and charges	1.462	1.297
2.1 legal disputes	5	
2.2 personnel expenses		
2.3 other	1.457	1.297
Total	**1.462**	**1.297**

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other funds	Total
A. Initial figures	**-**	**1.297**	**1.297**
B. Increases	**-**	**2.115**	**2.115**
B.1 Allocations during financial year		1.207	1.207
B.2 Changes owing to the passage of time			
B.3 Changes owing to changes in the discount rate			
B.3 Other increases		908	
C. Decreases	**-**	**(1.950)**	**(1.950)**
C.1 Utilisation during the financial year		(1.369)	(1.369)
C.2 Changes owing to changes in the discount rate			
C.3 Other decreases		(581)	(581)
D. Final inventory	**-**	**1.462**	**1.462**

12.3 Company defined benefit pension funds

The company has not established any company-based defined benefit pension funds.

12.4 Provisions for risks and charges – other funds

The sub-item "Legal disputes" includes the funds allocated in relation to a case in which it is a respondent, pertaining to alleged compound interest. The bank has covered the entire potential liability, i.e., 5 thousand Euro, without estimating any financial effects, owing to the estimated disbursement of this liability in 2018.

The sub-item "Other" includes funds allocated in relation to:
- legal interest totalling 95 thousand Euro, paid in January 2018 and associated with the enforcement of a guarantee (for 800 thousand Euro) during the financial year;
- transactions on representations and claims relating to the calculation of early repayments on SPBLs prior to April 2013; occurrence of the event and the relative disbursements can be statistically determined through stratification of the historical series, for which the bank, at the reporting date, estimated a probable potential risk equal to 1,009 thousand Euro over a period of three years;
- supplementary customer indemnities, inherent in Art. 1751, paragraph 1 of the Italian Civil Code, owing in the event of the bank's termination of contractual relations with its agents. With the support of an actuary, occurrence of the event and the relative disbursements can be statistically determined through stratification of the historical series; the probable potential risk is estimated at 352 thousand Euro over a 10 year period, assuming a baseline hypothesis with an annual termination frequency of 1% for the bank and 10% by autonomous decision of the agents.

Section 13 – Redeemable shares – Item 140

The company has not approved any share redemption plans.

Section 14 – Business equity – Items 130, 150, 160, 170, 180, 190, and 200

14.1 "Share Capital" and "Treasury shares": composition

Capital	Amount
Common shares	31.398
Other shares	

The company does not hold any treasury shares.

14.2 Share Capital - Number of shares: annual changes

Items	Common	Other
A. Shares existing at financial year start	**21.277**	
- fully paid up	21.277	
- not fully paid up		
A.1 Treasury shares (-)		
A.2 Shares in circulation: initial figures	**21.277**	
B. Increases	**10.121**	
B.1 New issues	**10.121**	
- payment-based:	*10.121*	
- business aggregation operations	*10.121*	
- bond conversion		
- warrants exercised		
- other		
- free of charge:		
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Sale of business transactions		
C.4 Other changes		
D. Shares issued: closing figures	**31.398**	
D.1 Treasury shares (+)		
D.2 Shares existing at financial year end	**31.398**	
- fully paid up	*31.398*	
- not fully paid up		

14.3 Share Capital: other information

Unit value per share 1.00 Euro

14.4 Retained profits: other information

	Legal	Profit (loss) carried forward	Other	Total
A. Initial figures	**2.428**	**775**	**- 1.238**	**1.965**
B. Increases	**60**	**1.145**	**1.238**	**2.443**
B.1 Allocation of profits				-
B.2 Other changes	60	1.145	1.238	
C. Decreases	**(2.488)**	**(2.185)**	**-**	**(4.673)**
C.1 Utilisations	-	-	-	-
- coverage of losses				
- distribution				
- transfer to capital				-
C.2 Other changes	(2.488)	(2.185)		
D. Final inventory	**-**	**(265)**	**-**	**(265)**

The profit (loss) carried forward in the sub-item "Other decreases" recognises the IFRS 3 component applicable to minority shareholders with reference to the partial goodwill method (refer to the Explanatory Notes – Part G for additional information).

14.5 Capital instruments: composition and annual changes

No capital instruments exist in relation to third parties.

14.6 Other information

Origin and usability of items in shareholders' equity

Nature/description	Amount	Possibility of utilisation	Portion available	Summary of utilisations in the previous three financial years	
				to cover losses	for other reasons
Capital	31.398				
Reserves:					
- Legal (1)	-				
- Profit (loss) carried forward	(265)				
- Other	-				
Valuation reserves	(98)				
Total	**31.035**		**-**		

A = for share capital increase
B = to cover losses
C = for distribution to shareholders
(1) Pursuant to Art. 2431 of the Italian Civil Code, any surplus in this reserve may be distributed only where it has reached the limit established under Art. 2430 of the Italian Civil Code.

Proposal for allocation of the profit (loss) for the period, in accordance with Art. 2427, par. 22-septies of the Italian Civil Code

The annual financial statement closed with a net profit of 1,007,927 Euro, which the Board of Directors proposes to allocate as follows:
- to the legal reserve (5%): 50,396 Euro;
- to the retained profits reserve: 957,531 Euro.

Other information

1. Guarantees given and commitments

Transactions	Amount 31/12/2017	Amount 31/12/2016
1) Financial guarantees given	**9.534**	**16.335**
a) Banks	168	
b) Customers	9.366	16.335
2) Commercial guarantees given	**322**	
a) Banks		
b) Customers	322	
3) Irrevocable commitments to disburse funds		
a) Banks		
i) of certain use		
ii) of uncertain use		
b) Customers		
i) of certain use		
ii) of uncertain use		
4) Commitments underlying credit derivatives: protective sales		
5) Assets established to guarantee third party obligations		
6) Other commitments		
Total	**9.856**	**16.335**

The item "Financial guarantees issued" refers to the SPBL portfolio with pro solvendo management to the benefit of Diaz SPV Srl.

2. Assets established to guarantee the bank's liabilities and commitments

Portfolios	Amount 31/12/2017	Amount 31/12/2016
1. Financial assets held for trading		
2. Financial assets measured at fair value		
3. Financial assets available for sale		
4. Financial assets held to maturity		
5. Due from banks	5.158	3.492
6. Due from customers		
7. Tangible assets		

The sub-item "Due from banks" includes:
- the minimum reserve, indirectly allocated, equal to 747 thousand Euro;
- the deposits to guarantee servicing activities on the SPBLs sold, equal to 3,345 thousand Euro;
- the deposits to guarantee the settlement of banking movements on the Italian RNI channel, equal to 1,066 thousand Euro.

3. Information on operating leases

The company does not have any operating leases in effect.

4. Management and intermediation on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	
a) purchases	
1. paid	
2. unpaid	
b) Sales	
1. paid	
2. unpaid	
2. Portfolio management	
a) individual	
b) collective	
3. Custody and administration of securities	***119.520***
a) third party securities held in deposit: associated with the performance of custodian banking activities (excluding portfolio management)	
1. securities issued by the bank preparing the financial statements	
2. other securities	
b) third party securities held in deposit (excluding portfolio management): other	49.906
1. securities issued by the bank preparing the financial statements	12.671
2. other securities	37.235
c) third party securities held in deposit with third parties	46.215
d) instruments of ownership deposited with third parties	23.399
4. Other operations	

5. Financial assets forming the object on-balance sheet netting, or subject to master netting agreements or similar agreements.

The company does not have any financial assets forming the object of on-balance sheet netting, or subject to master netting agreements or similar agreements.

6. Financial liabilities forming the object on-balance sheet netting, or subject to master netting agreements or similar agreements.

The company does not have any financial liabilities forming the object of on-balance sheet netting, or subject to master netting agreements or similar agreements.

7. Securities lending transactions

The company does not have any securities lending transactions in effect.

8. Information on activities subject to joint control

The company does not have any operations subject to joint control.

Part C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar income: composition

Items/Technical forms	Debt securities	Loans	Other operations	Total 31/12/2017	Total 31/12/2016
1. Financial assets held for trading					
2. Financial assets available for sale	72			72	
3. Financial assets held to maturity					
4. Due from banks	1	44		45	71
5. Due from customers	214	4.168		4.382	1.816
6. Financial assets measured at fair value					
7. Hedging derivatives	X	X			
8. Other assets	X	X	8	8	
Total	**287**	**4.212**	**8**	**4.507**	**1.887**

1.2 Interest income and similar income: differentials relative to hedging operations

The company does not have any hedging derivatives.

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets in foreign currencies

The company does not hold any interest-bearing assets in foreign currencies.

1.3.2 Interest income on financial lease transactions

Items	Total 31/12/2017	Total 31/12/2016
Financial leases	495	379

1.4 Interest expenses and similar expenses: composition

Items/Technical forms	Payables	Securities	Other operations	Total 31/12/2017	Total 31/12/2016
1. Due to central banks		X			
2. Due to banks	(527)	X		(527)	(574)
3. Due to customers	(1.148)	X		(1.148)	(519)
4. Securities issued	X	(411)		(411)	
5. Financial liabilities held for trading					
6. Financial liabilities valuated at fair value					
7. Other liabilities and provisions	X	X			
8. Hedging derivatives	X	X			
Total	**(1.675)**	**(411)**	**-**	**(2.086)**	**(1.093)**

1.5 Interest expenses and similar expenses: differentials relative to hedging operations

The company does not have any hedging derivatives.

1.6 Interest expenses and similar expenses: other information

1.6.1 Interest expenses on liabilities in foreign currencies

The company does not hold any interest-bearing liabilities in foreign currencies.

1.6.2 Interest expenses on liabilities for financial lease transactions

The bank has not stipulated any lease agreements as the lessee.

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: composition

Type of services	Total 31/12/2017	Total 31/12/2016
a) guarantees given	4	
b) credit derivatives		
c) management, intermediation, and consulting services:	217	280
1. trading in financial instruments	2	
2. currency trading		
3. portfolio management		
3.1. individual		
3.2. collective		
4. custody and administration of securities	7	
5. custodian banking		
6. placement of securities		25
7. order receipt and transmission	1	
8. consulting		
8.1 on investments		
8.2 on financial structure		
9. distribution of third party services	207	255
9.1. portfolio management		
9.1.1. individual		
9.1.2. collective	3	
9.2. insurance products		
9.3. other products	204	255
d) collection and payment services	85	
e) servicing for securitisation operations	189	90
f) services for factoring operations		
g) tax collection services		
h) management of multilateral trading systems		
i) current account holding and management	204	
j) other services	5.326	3.521
Total	**6.025**	**3.891**

The details of the sub-item "Other services" are provided below, relating mainly to the core activity (SPBLs):

Type of services	Total 31/12/2017	Total 31/12/2016
Loan investigation	2.952	2.243
Management know-how instrumental to loans	2.374	1.278
Total	**5.326**	**3.521**

2.2 Commission income: distribution channels for products and services

Channels	Total 31/12/2017	Total 31/12/2016
a) at the bank's branches:		
1. portfolio management		
2. placement of securities		
3. third party services and products		
b) external offerings:	**207**	**280**
1. portfolio management		
2. placement of securities		25
3. third party services and products	207	255
c) other distribution channels:		
1. portfolio management		
2. placement of securities		
3. third party services and products		

2.2 Fee and commission expenses: composition

Services	Total 31/12/2017	Total 31/12/2016
a) guarantees received	(13)	(12)
b) credit derivatives		
c) management and intermediation services:	(2.057)	(1.541)
1. trading in financial instruments		
2. currency trading		
3. portfolio management:		
3.1 internal		
3.2 delegated to third parties		
4. custody and administration of securities	(41)	
5. placement of financial instruments		
6. external offering of financial instruments, products, and services	(2.016)	(1.541)
d) collection and payment services	(574)	(483)
e) other services	(2.719)	(1.818)
Total	**(5.363)**	**(3.854)**

The sub-item "External distribution of financial instruments, products, and services" refers to the commissions paid to the agency and banking network for the sale of ViViBanca products, mainly relating to SPBLs.

The sub-item "Other services" includes commission expenses on the early repayment of SPBL products.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: composition

The bank recognised income of 344 Euro on UCIs. The relative table is not provided, as the income amount is not significant.

Section 4 – Net result of trading activities – Item 80

4.1 Net result of trading activities: composition

The bank recognised exchange rate differences of 125 Euro on foreign liquidity. The relative table is not provided, as the amount is not significant.

Section 5 – Net result of hedging activities – Item 90

The company does not have any hedging derivatives.

Section 6 – Profit (loss) from sales/repurchases – Item 100

6.1 Profit (loss) from sales/repurchases: composition

Items/Income components	Total 31/12/2017			Total 31/12/2016		
	Profit	Loss	Net result	Profit	Loss	Net result
Financial assets						
1. Due from banks						
2. Due from customers	15.863	(165)	15.698	10.178		10.178
3. Financial assets available for sale						
3.1 Debt securities	583		583			
3.2 Equity securities						
3.3 Shares in UCIs						
4. Assets held to maturity						
Total assets	**16.446**	**(165)**	**16.281**	**10.178**		**10.178**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities	-		-			

The sub-item "Profits on amounts due from customers" recognises the income generated from the pro soluto sale (rate differential between book value and discounted value net of cost components relative to the management of provisions) to banks and the securitisation of SPBLs during the financial year.

Section 7 – Net result of financial assets and liabilities valuated at fair value – Item 110

7.1 Net change in the value of financial assets/liabilities valuated at fair value: composition

Operations/Income components	Capital gains (A)	Profits from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets			**(6)**		**(6)**
1.1 Debt securities					
1.2 Equity securities			(6)		(6)
1.3 Shares in UCIs					
1.4 Loans					
2. Financial liabilities					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3 Financial assets and liabilities: exchange rate differences	X	X	X	X	
4 Credit and financial derivatives					
Total			**(6)**		**(6)**

Section 8 – Net impairments/reversals on impairments owing to impairment – Item 130

8.1 Net impairments owing to the impairment of loans: composition

Operations/Income components	Value adjustments (1)			Value reinstatements (2)				Total 31/12/2017	Total 31/12/2016
	Dedicated			Dedicated		Portfolio			
	Derecognition	Other	Portfolio	A	B	A	B		
A. Due from banks									
- Loans									
- Debt securities									
B. Due from customers:									
Impaired loans purchased									
- Loans			X				X		
- Debt securities			X				X		
Other receivables and loans									
- Loans	(23)	(3.196)	(2.452)	217	38		380	(5.036)	(1.228)
- Debt securities									
C. Total	**(23)**	**(3.196)**	**(2.452)**	**217**	**38**	**-**	**380**	**(5.036)**	**(1.228)**

Legend
A = From interest
B = Other reversals

Impairments on loans to customers increased significantly following the business combination. This change can be attributed to a careful, timely analysis of the impaired positions, which led to a review of the recovery estimates assumed on non-core products.

8.2 Net value adjustments owing to the impairment of financial assets available for sale: composition

Operations/Income components	Value adjustments (1)			Value		Total 31/12/2017	Total 31/12/2016
	Dedicated			Dedicated			
	Derecognition	Other	Portfolio	A	B		
A. Debt securities							
B. Equity securities				X	X		(35)
C. Shares in UCIs				X			
D. Loans to banks							
E. Loans to customers							
F. Total							**(35)**

Legend
A = From interest
B = Other reversals

8.3 Net impairments owing to the impairment of financial assets held to maturity: composition

The company has no financial assets held to maturity.

8.4 Net value adjustments owing to the impairment of other financial operations: composition

Operations/Income components	Value adjustments (1)			Value reinstatements (2)				Total 31/12/2017	Total 31/12/2016
	Dedicated		Portfolio	Dedicated		Portfolio			
	Derecognition	Other		A	B	A	B		
A) Guarantees given B) Credit derivatives C. Commitments to disburse funds D. Other operations							28	28	33
E. Total							**28**	**28**	**33**

Legend
A = From interest
B = Other reversals

Section 9 – Administrative expenses – Item 150

9.1 Personnel expenses: composition

Type of expense	Total 31/12/2017	Total 31/12/2016
1. Employees	**(5.525)**	**(3.340)**
a) wages and salaries	(3.769)	(2.431)
b) social security contributions	(937)	(609)
c) severance indemnities	(12)	(7)
d) pension expenses		
e) allocations to provision for employee severance indemnities	(198)	(103)
f) allocations to provision for retirement pension and similar obligations:		
- defined contributions		
- defined benefits		
g) payment to external supplementary retirement pension funds:		
- defined contributions	(60)	(47)
- defined benefits		
h) costs deriving from payment agreements based on the bank's equity instruments		
i) other employee benefits	(549)	(143)
2. Other personnel not qualified as employees	**(68)**	**(106)**
3. Directors and auditors	**(457)**	**(344)**
4. Retired personnel		
5. Recovery of expenses for employees seconded to other companies		
6. Expense reimbursements for employees seconded to the company		
Total	**(6.050)**	**(3.790)**

9.2 Average number of employees by category[2]

Category/Average number of employees	Total 31/12/2017	Total 31/12/2016
Employees	**72**	**55**
d) directors	7	4
b) managers	22	16
c) remaining employees	44	35
Other personnel		
Total	**72**	**55**

9.3 Company defined benefit pension funds: costs and revenue

The bank has not established provisions for any company defined benefit pension funds.

9.4 Other employee benefits

Type of expense	Total 31/12/2017	Total 31/12/2016
Health and accident insurance	(116)	(76)
Meal vouchers and expense reimbursements	(71)	(53)
Training	(30)	(14)
Redundancy incentives	(332)	
Total	**(549)**	**(143)**

9.5 Other administrative expenses: composition

Type of expense	Total 31/12/2017	Total 31/12/2016
Property/furniture: rent and lease expenses	(351)	(162)
Property/furniture: other expenses	(237)	(109)
Insurance premiums	(32)	(16)
Information systems	(952)	(179)
Professional services	(1.078)	(705)
Loan recovery	(643)	(457)
Securitisation	(79)	(134)
Non-professional goods and services	(630)	(310)
Databases	(183)	(119)
Advertising	(373)	(154)
Contributions and related expenses	(102)	(46)
Agency network	(403)	(339)
Sanctions	(38)	(6)
Indirect taxes and duties	(1.297)	(550)
Total	**(6.398)**	**(3.286)**

The significant increase in other administrative expenses is largely due to the effects of combination of the two companies, both with respect to day-to-day management costs (rent, lease payments, non-professional goods and services) and with respect, in particular, to *una tantum* costs attributable to the merger process (IT systems, professional services, advertising).

[2] The average number of employees is calculated as the weighted average of employees where the weight equals the number of months worked during the year.

Section 10 – Net allocations to provisions for risks and charges – Item 160

10.1 Net allocations to provisions for risks and charges: composition

Type of allocation	Total 31/12/2017	Total 31/12/2016
Legal risks	8	
Other expenses	(634)	(589)
Total	**(626)**	**(589)**

For commentary on this item, refer to the Explanatory Notes – Part B – Balance Sheet – Liabilities – Section 12.

Section 11 – Net value adjustments/reinstatements on tangible assets – Item 170

11.1. Net value adjustments on tangible assets: composition

Asset/Income component	Amortisation (a)	Net value adjustments owing to impairment (b)	Value reinstatements (c)	Net result (a+b-c)
A. Tangible assets				
A.1 Owned	(142)			(142)
- Having a functional use	(142)			(142)
- For investment				
A.2 Acquired under financial lease				
- Having a functional use				
- For investment				
Total	**(142)**			**(142)**

Section 12 – Net value adjustments /reinstatements on intangible assets – Item 180

12.1 Net value adjustments on intangible assets: composition

Items/ value adjustments and reinstatements	Amortisation (a)	Net value adjustments owing to impairment (b)	Value reinstatements (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned				
- Generated internally at the bank	(262)			(262)
- Other	(262)			(262)
A.2 Acquired under financial lease				
Total	**(262)**			**(262)**

Section 13 – Operating income and expenses – Item 190

13.1 Other operating expenses: composition

	Total 31/12/2017	Total 31/12/2016
Leasehold improvements	(82)	(2)
Property under management	(77)	(62)
Claim settlements		(342)
Reversals on the impairment of trade receivables	(56)	
Operating losses	(8)	(68)
Contingent liabilities	(226)	(26)
Other expenses	(97)	(94)
Total	**(546)**	**(594)**

13.2 Other operating income: composition

	Total 31/12/2017	Total 31/12/2016
Recovery of taxes and duties	106	110
Rent and lease income	3	
Recovery of expenses on deposits and	196	
Recovery of other expenses	171	421
Contingent assets	190	29
Other income	54	82
Total	**720**	**642**

Section 14 – Profit (loss) on equity investments– Item 210

The bank has no equity investments.

Section 15 – Net result of the fair value valuation of tangible and intangible assets – Item 220

The bank has not recognised any changes in fair value.

Section 16 – Value adjustments of goodwill – Item 230

The bank has not recognised any changes in fair value.

Section 17 – Profit (loss) from the sale of investments – Item 240

The bank has not recognised any profit (loss) from the sale of investments.

Section 18 – Income tax on current operations – Item 260

18.1 Income tax on current operations: composition

Income components	Total 31/12/2017	Total 31/12/2016
1. Current taxes (-)	-	(202)
2. Changes in current taxes, as compared to previous financial years (+/-)	12	
3. Decrease in current taxes (+)		
3.a Decrease in current taxes owing to tax credits pursuant to Law No. 214/2011 (+)		
4. Changes in deferred tax assets (+/-)	(51)	(477)
5. Changes in deferred tax liabilities (+/-)		2
6. Taxes attributable to the financial year (-) (- 1 +/- 2 + 3 + 3a +/- 4 +/- 5)	**(39)**	**(677)**

18.2 Reconciliation of theoretical tax expense and effective tax expense recognised in the income statement

		IRES	IRAP
Profit (loss) gross of taxes	**1.047**		
Theoretical tax rate	33,07%	27,50%	5,57%
Theoretical tax expense	**(346)**	**(288)**	**(58)**
Non-deductible elements/change in tax base:			
- Net value adjustments owing to the impairment of receiva	(8)		(8)
- Personnel expenses	82	5	77
- Administrative expenses	(33)	(67)	34
- Net value adjustments /reinstatements on tangible asset	3	1	2
- Other income/expenses	(114)	(59)	(55)
- Taxes attributable to the financial year	377	377	
Effective tax expense	**(39)**	**(31)**	**(8)**
Effective tax rate	3,72%	2,96%	0,76%

Section 19 – Profit (loss) on groups of assets held for sale, net of taxes – Item 280

The bank does not have any groups of assets held for sale.

Section 20 – Other information

There is no information to report other than that already provided in the previous sections.

Section 21 – Earnings per share

21.1 Average number of common shares after dilution of the share capital

Common shares*	Number	Days	Weighted number
Initial figures	21.277	365	21.277
Issue of new shares**	10.121	365	10.121
Total	**31.398**		**31.398**

Legend:
* Each common share has a value of 1 Euro.
** The accrual of the new issues has been considered equivalent to that of the opening balances due to the business combination operation.

With reference to IAS 33, the weighted average number of common shares used to calculate the basic earnings per share corresponds to the average number of shares after dilution of the share capital.

21.2 Other information

Common shares	2017
Profit (loss) for the period	1.008
Basic earnings per share (Euro)	0,03

The basic earnings per share corresponds to the diluted earnings per share, as no instruments exist such as could potentially dilute the basic earnings per share in the future.

Part D – COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Income tax	Net amount
10.	**Profit (loss) for the period**	**X**	**X**	**1.008**
	Other income components, without reversal to the income statement			
20.	**Tangible assets**			
30.	**Intangible assets**			
40.	**Defined benefit plans**	**17**	**- 4**	**14**
50.	**Non-current assets held for sale**			
60.	**Portion of valuation reserves relating to investment stakes measured using the equity method**			
	Other income components, with reversal to the income statement			
70.	**Hedging of foreign investments:**			
	a) changes in fair value			
	b) reversal to the income statement			
	c) other changes			
80.	**Exchange rate differences**			
	a) changes in value			
	b) reversal to the income statement			
	c) other changes			
90.	**Hedging of cash flows:**			
	a) changes in fair value			
	b) reversal to the income statement			
	c) other changes			
100.	**Financial assets available for sale:**	**(33)**	**7**	**(26)**
	a) changes in value	(33)	7	(26)
	b) reversal to the income statement			
	- adjustments owing to impairment			
	- profit/loss from disposals			
	c) other changes			
110.	**Non-current assets held for sale:**			
	a) changes in fair value			
	b) reversal to the income statement			
	c) other changes			
120.	**Portion of valuation reserves relating to investment stakes measured using the equity method:**			
	a) changes in fair value			
	b) reversal to the income statement			
	- adjustments owing to impairment			
	- profit/loss from disposals			
	c) other changes			
130.	**Total other income components**	**(16)**	**3**	**(12)**
140.	**Total income (Item 10+130)**			**996**

Part E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Introduction

The bank places particular emphasis on risk management and monitoring, in order to maximum results within a sustainable, controlled environment.

One of the key tools used to achieve this objective is the adoption of a risk management culture, both through documents devoted to ongoing monitoring (Risk Appetite Framework, risk dashboards, ICAAP [Internal Capital Adequacy Assessment Process], reporting systems, etc.) and through increased training for all managers and employees with a view to the proper application of prudential rules (internal and external).

Concurrently, the organisational structure is intended to create an effective risk management system that provides for:
- a separation between operational and control functions;
- the identification and monitoring of risks inherent in operating processes;
- the prompt communication of any anomalies detected by the control bodies, at the most appropriate organisational levels.

In conformity with the provisions of current legislation and with a view to implementing the above-described premises, the bank has adopted:
- **level one internal controls**, i.e., line controls carried out by the same operating units, in order to verify the processes that are in compliance with internal procedures.
- **level two internal controls**, i.e., controls on risk management and regulatory compliance, coordinated respectively by Risk Management and by the Compliance Officer.
- **level three internal controls**, i.e., internal audit controls, which are carried out by Internal Audit to verify the proper performance of the system of internal controls.

The management bodies also make use of specific internal technical committees for consultation support on risk management:
- Risks and Internal Controls;
- Financial Risk;
- Loans;
- Commercial Policy;
- Operational and Technological Risk Security and Management;
- New products.

Risk perimeter

The assessment of risk materiality is carried out within the context of ICAAP (Internal Capital Adequacy Assessment Process) reporting, based on criteria approved by the Board of Directors:

	Risk	Definition	Materiality	Approach	Measurement	Mitigation
PILLAR I	**Loans**	Risk associated with the probability risk of incurring unexpected losses following borrower non-fulfilment of contractual obligations.	Yes	Quantitative	Standardised	Capital and organisational safeguards
	Market	Risk associated with possible unexpected changes in the market value of financial positions or instruments, deriving from changes in the market value of risk drivers, i.e., from changes in interest rates, exchange rates, share prices, raw materials prices, the volatility of individual risk factors, and credit spreads.	No	N/A	N/A	N/A
	Counterparty	Risk that the counterparty in a transaction involving certain financial instruments acts in breach of contract prior to settlement of the transaction.	No	N/A	N/A	N/A
	Operational	Risk of suffering losses deriving from inadequate or dysfunctional procedures, human resources, or internal systems, or from external events. This type of risk includes, inter alia, losses deriving from fraud, human error, a disruption of operations, system unavailability, breach of contract, natural disasters. Operational risk also includes legal risk.	Yes	Quantitative	Basic Indicator Approach	Capital and organisational safeguards

PILLAR II	**Rate**	Represents the risk associated with interest rate volatility, which may cause a change in the economic value of asset and liability positions in the banking portfolio; the company's value, assessed by financial analysts, as well as possible liquidation of the company, are influenced by the risk associated with the company's economic value following changes in the interest rates.	Yes	Quantitative	Regulatory	Capital and organisational safeguards
	Liquidity	Risk of being unable to meet payment commitments due to an inability both to procure funds on the market (funding liquidity risk) and to sell assets (market liquidity risk).	Yes	Qualitative	Regulatory	Capital and organisational safeguards
	Securitisation	Risk that the economic substance of the securitisation operation is not fully reflected in the risk assessment and management decisions.	Yes	Qualitative	Regulatory	Capital and organisational safeguards
	Leverage	The risk of excessive financial leverage is the risk that a particularly high level of debt versus the availability of own funds will make the intermediary vulnerable.	Yes	Quantitative	Regulatory	Capital and organisational safeguards
	Concentration	Single Name: Risk deriving from exposure to counterparties or groups of related counterparties.	Yes	Quantitative	Granularity Adjustment	Capital and organisational safeguards
		Geo-Sectoral: Risk deriving from exposure to counterparties in the same economic sector or performing the same activity or belonging to the same geographical area.	Yes	Quantitative	ABI	Capital and organisational safeguards
	Strategic /Business	Represents the current or prospective risk of a decrease in profits or capital deriving from changes in the operational context or incorrect company decisions, insufficient implementation of decisions, limited responsiveness to changes in competition factors.	Yes	Quantitative	MINT volatility	Capital and organisational safeguards
	Compliance	The risk of non-compliance with regulations represents a risk of incurring judicial or administrative sanctions, significant financial losses, or harm to reputation in consequence of violations of mandatory provisions (of the law or regulations) or self-regulation (e.g., articles of incorporation, codes of conduct, codes of self-governance).	Yes	Qualitative	N/A	Organisational safeguards
	Reputation	Reputation risk is defined as the current or prospective risk of a decrease in profits or capital deriving from the negative perception of an intermediary's image by customers, counterparties, Terfinance shareholders, investors, or supervisory authorities.	Yes	Qualitative	N/A	Organisational safeguards
	Residual	Risk that the techniques used by an intermediary to mitigate credit risk are less efficient than anticipated.	No	N/A	N/A	N/A

In order to assess measurable materiality, the company has identified a materiality criterion of 1% of the shareholders' equity for prudential supervision purposes.

With reference to the definitions adopted and to the type of operations by which the company is characterised, market and counterparty risk are considered non-material since no positions are held that are classified in the trading portfolio, nor are significant amounts held in currencies other than the Euro.

Section 1 – Credit risk

Qualitative information

1. General aspects

ViViBanca's commercial policy is focused on the consolidation of SPBLs and retail loans, while its corporate loan activities are in a run-off phase, as are its leasing activities, which is limited solely to successions and renegotiations. The company's core business is thus the granting of retail loans, as a whole and in the technical forms outlined, in which employee and pensioner households throughout the entire national territory are the target customer.

Furthermore, the bank does not work with innovative or complex financial products.

2. Credit risk management policies

2.1 Organisational aspects

On the organisational level, the loan disbursement procedures adopted by the company are defined in the Lending Rules approved by the Board of Directors upon the launch of operations, with subsequent amendments and additions up to 2017 pertaining to regulatory and procedural updates, as well as amendments to the authorisations of company bodies and units for the granting of loans. This document describes the decision-making powers granted and the limits within which these powers can be exercised, and defines the management and control standards and principles for the loans process.

The operating procedures for each product are further illustrated in the Operating Manuals, which govern methods of acquisition and performance for the types of contracts managed by the company, from the insertion of loan applications into the computer system to the generation of income.

To implement this organisational model, the Executive has defined the duties and responsibilities of each employee involved in the loans process, with a view to achieving defined objectives in compliance with the rules of functional separation necessary for ensuring that operational activities are carried out in accordance with healthy, prudent management criteria.

The organisational structure provides for functional separation of the different process phases, in compliance with the organisational requirements established in relation to these phases. In particular, the principle of a functional and operational separation of front office, loans management, credit monitoring, collection, and second-level control activities is respected by assigning actions to different, independent organisational units that are each involved within the limits of their own competencies.

2.2 Management, measurement, and control systems

Since SPBL products are associated with a low ratio of loan impairment, given the secured nature of the portfolio, ensured by the guarantees associated with the product, credit quality (amounts, weight, and hedging rates for impaired loans) is primarily defined by loan run-off from non SPBL-portfolios. To this end, the strategic objectives of the ViViBanca business model emphasise careful management of:

- the bank loans portfolio: this portfolio is managed with careful, ongoing coordination between headquarters and the local structures dedicated to the direct management of customer relations;
- the lease portfolio, which, given its medium- long-term durations, requires dedicated ordinary and extraordinary management (e.g., collections management, renegotiation and subrogation, property enforcement measures, etc.).

ViViBanca uses the Standardised Approach to measure regulatory credit risk, adopting the weightings permitted by this model.

The monitoring of loans granted, in addition to including performance analyses, is carried out primarily on positions showing missed payments. A monthly report generated by the computer system on missed instalments, payments, or quotas (depending on the product) is the first anomaly indicator used during the lifetime of the relationship, and it is used to make timely, effective decisions regarding the management and recovery of loans.

With respect to concentration risk, the "major risks" positions are monitored in terms of exposure and compliance with the general and individual limits established by Bank of Italy regulations.

The loan recovery and disputes procedure is managed by the computer system within a dedicated management environment, in which the files that have registered at least one outstanding amount are periodically flagged in accordance with a programmed procedure; these files are transparently highlighted with a LR (loan recovery) flag. Contracts are subdivided into classifications that identify the number of outstanding instalments/payments and the age of the loan in order to allow for more effective management. These classifications are specific to each product, and each one provides for a certain type of direct recovery measure, which ranges from a notice letter, to internal and external collection by telephone, to collection at the place of residence.

As a transversal strategy to control credit risk and to support capital adequacy and asset quality objectives (and with consistent effects likewise in terms of operational profitability and asset liability management), the bank is also in the process of continuing its sale of NPLs. In October 2017, following a competition procedure launched in March 2017, an agreement was concluded for the pro soluto sale of non-performing loans relative to the portfolio of the former Credito Salernitano. The company is currently evaluating the optimal methods and timelines to carry out a second sale of NPLs of the former Terfinance in 2018, for a gross book value of 13 million Euros – originating from transactions involving personal loans and non-property leases – with diversified coverage anticipated in the range of 80-90%.

Lastly, an overall review of the risk management policy merits specific mention and is currently being carried out via the application process implemented in relation to the IFRS 9 accounting principle, in effect since 1 January 2018.

2.3 Credit risk mitigation techniques

The bank manages guarantees established for the purpose of credit risk mitigation. In addition to covering credit risk, these CRM techniques (see herein) are also important for limiting "capital absorption" associated with the bank’s assumption of this risk. Bank of Italy Circular 263/06 ("New regulations for the prudential supervision of banks") and its subsequent updates address the subject of "guarantees" within the broader context of credit risk mitigation (CRM) techniques. The rules to be followed for these mitigations techniques change in relation to the method adopted for calculation of the capital ratio. The bank having opted to use the standardised method for regulatory purposes, the rules laid down in the regulations for banks having adopted this approach have been applied.

For the calculation of impairment losses, the bank reports that all assets forming the object of a property lease are backed by expert appraisals (Assilea Standards) that are updated annually by specialised, independent companies or professionals, as required under sector regulations. The market value identified in the expert appraisals is analysed by the Collection and Litigation Division, with the methodological support of the Risk Management Department, and is subject to a haircut when necessary in order to take into account the effect of the possible realisation price of the properties underlying the impaired loans.

With reference to residual risk, defined as the possibility that the above-described techniques may be less effective than anticipated, and with a view to evaluating the impact of such possibility, ViViBanca has created a framework that assigns an assessment to the types of possibilities that may arise, via a dedicated checklist. This checklist is constructed based on the Standardised Approach, as described in Circular 263/2006, Title II, Chapter 2, Section III (refer also to Circular 285/2013, Part II, Chapter 5, Section 1, which makes reference to Regulation (EU) No. 575/2013 (Capital Requirements Regulation), in particular Part III, Title II, Section 4).

Within this framework, the bank has adopted an impairment measurement process having the following characteristics:

Credit quality/Product	SPBL	Personal loans	Leases	Banking
PE	*Collective impairment*	*Collective impairment*	*Collective impairment*	*Collective impairment*
NPE - Past due impaired	*Analytical/flat-rate impairment*	*Analytical/flat-rate impairment*	*Analytical impairment*	*Analytical/flat-rate impairment*
NPE - Probable default	*Analytical/flat-rate impairment*	*Analytical/flat-rate impairment*	*Analytical impairment*	*Analytical/flat-rate impairment*
NPE - Non-performing	Analytical impairment	*Analytical/flat-rate impairment*	*Analytical impairment*	*Analytical impairment*

Legend:
PE: performing exposure
NPE: non-performing exposure

For exposures subject to flat-rate analytical measurement (i.e., for a homogeneous group of items), the head of the Collection Division increases coverage in function of anticipated realisation of the guarantees underlying the specific exposures. In 2017, the bank reviewed all the recovery estimates in terms of the realisation of NPEs, using sector and internal historical data trend analyses, adjusting the relative coverage as necessary.

2.4 Impaired financial assets

The bank is organised with regulatory and IT structures and procedures for loans management, classification, and control.

Impaired loans, subdivided into the following management categories:
- past due and/or overdrawn loans;
- probable defaults;
- non-performing

are managed by dedicated organisational units.

Collection & Litigation

The Impaired Loans Monitoring Office analyses the performance of collection activities for impaired exposures, to evaluate the suitability of their classification and the size of related provisions.
This office performs an analytical assessment of the correct classification of credit quality and of estimated recovery, for each position, based on realistic, prudential criteria, including experience and prior analogous situations. These analyses take into consideration the equity and income position of each borrower, the type of loan and the collateral and personal guarantees accompanying the loan, as well as all relevant information acquired from the bank's structures.

With respect to the company's core product, the SPBL portfolio, the activities of the Collection Division are focused on the full management of insurance claims supporting loans (ensuring timely coordination with insurance companies) and on the management of any recovery of severance indemnities. For the management of bankruptcy proceedings, the Division is assisted by external lawyers who supervise all measures that are taken.

With respect to property leases: an inventory and monitoring of all property leases continued in 2017, through the establishment of a "property dossier" prepared by the Collection and Litigation Division and by the Corporate Collection Office, containing:
- the expert appraisal of the property;
- the deed of purchase, land registry documents, and expert reports at the date of stipulation;
- subsequent updates relating to changes in status and/or modifying or deteriorating circumstances;
- the results of the annual surveillance audit on the property;
- documentation relative to non-life insurance, accompanied by a guarantee to the company's benefit.

With a view to the mitigation of credit risk on property lease agreements, particular emphasis is placed on the process for acquiring guarantees, which involves the use appropriate, adequate verifications (inter alia - that the property's value is not significantly dependent on the borrower's credit rating; that the expert is certified, independent, capable, and expert; that the expert review is carried out in conformity with Assilea Guidelines/Guidelines of the Collegio Nazionale dei Periti - Italian National Board of Industrial Experts).

Credit Monitoring

This division monitors the loans portfolio using a database on the periodic performance of loans by product and by maturity range, updated monthly, placing the company in a position to achieve the risk/profitability objectives defined in the business plan and creating reports for submission to the Board of Directors.

On a monthly basis, it extracts analytical data from the system relative to the performance of loans by product and by maturity range, and prepares a performance overview of the bank's loans portfolio.

Risk Management

This unit carries out supervision activities with reference to the analyses of portfolio performance. With a view to monitoring concentration risk, a quarterly analysis is performed of the "major risks" positions, to assess exposure and compliance with the general and individual limits established by Bank of Italy regulations.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired credit exposures: amount, impairments, dynamics, and economic and territorial distribution

A.1.1 Distribution of credit exposures by bank portfolio and by credit quality (book values)

Portfolio/Quality	Non-performing	Probable default	Past due, impaired exposures	Past due unimpaired exposures	Other unimpaired exposures	Total
1. Financial assets available for sale					10.109	10.109
2. Financial assets held to maturity						
3. Due from banks					84.173	84.173
4. Due from customers	3.390	11.524	5.335	22.956	71.828	115.033
5. Financial assets measured at fair value						
6. Financial assets held for sale						
Total 31/12/2017	**3.390**	**11.524**	**5.335**	**22.956**	**166.110**	**209.315**
Total 31/12/2016	**12.533**	**5.593**	**1.859**	**10.243**	**40.630**	**70.858**

Portfolio 4. "Receivables due from customers" presents the following characteristics:

Portfolio/Quality	Up to three months	3 months > 6 months	6 months > 1 year	Beyond one year	Total
Past due unimpaired exposures	**21.187**	**1.676**	**87**	**6**	**22.956**
Percentage w eight on portfolio class	92,3%	7,3%	0,4%	0,0%	100,0%

A.1.2 Distribution of credit exposures by portfolio assigned and by credit quality (gross and net values)

Portfolio/Quality	Impaired assets			Unimpaired assets			Total (net exposure)
	Gross exposure	Specific impairments	Net exposure	Gross exposure	Impairments in portfolio	Net exposure	
1. Financial assets available for sale				10.109		10.109	10.109
2. Financial assets held to maturity							
3. Due from banks				84.173		84.173	84.173
4. Due from customers	38.264	(18.015)	20.249	95.287	(503)	94.784	115.033
5. Financial assets measured at fair value				X	X	-	-
6. Financial assets held for sale							
Total 31/12/2017	**38.264**	**(18.015)**	**20.249**	**189.569**	**(503)**	**189.066**	**209.315**
Total 31/12/2016	**30.683**	**(10.698)**	**19.985**	**51.106**	**(233)**	**50.873**	**70.858**

Portfolio 4. Receivables due from customers contains a partial derecognition of impaired assets against the enforcement of collateral, in the amount of 7,089 thousand Euro.

A.1.3 On-balance sheet and off-balance sheet credit exposures to banks: gross and net values and past due ranges

Type of exposure	Gross exposure					Specific impairments	Portfolio impairments	Net exposure
	Impaired assets				Unimpaired assets			
	Up to three months	3 months > 6 months	6 months > 1 year	Beyond one year				
A. ON-BALANCE SHEET EXPOSURES								
a) Non-performing					X		X	
- positions forming the object of loans granted					X		X	
b) Probable default					X		X	
- positions forming the object of loans granted					X		X	
c) Past due impaired exposures					X		X	
- positions forming the object of loans granted					X		X	
d) Past due unimpaired exposures	X	X	X	X		X		
- positions forming the object of loans granted	X	X	X	X		X		
e) Other unimpaired exposures	X	X	X	X	84.173	X		84.173
- positions forming the object of loans granted	X	X	X	X		X		
TOTAL A					**84.173**			**84.173**
A. OFF-BALANCE SHEET EXPOSURES								
a) Impaired					X		X	-
b) Unimpaired	X	X	X	X	168	X		168
TOTAL B					**168**			**168**
TOTAL (A+B)					**84.341**			**84.341**

A.1.4 On-balance sheet credit exposures to banks: dynamics of gross impaired exposures

The bank does not have any impaired exposures to banks.

A.1.4a On-balance sheet credit exposures to banks: dynamics of exposures forming the object of gross loans granted, separated by credit quality

The bank does not have any impaired exposures to banks.

A.1.5 Impaired on-balance sheet exposures to banks: dynamics of the total impairments

The bank does not have any impaired exposures to banks.

A.1.6 On-balance sheet and off-balance sheet credit exposures to customers: gross and net values and past due ranges

Type of exposure	Gross exposure					Specific impairments	Portfolio impairments	Net exposure
	Impaired assets				Unimpaired assets			
	Up to three months	3 months > 6 months	6 months > 1 year	Beyond one year				
A. ON-BALANCE SHEET EXPOSURES								
a) Non-performing				16.348	X	12.958	X	3.390
- positions forming the object of loans granted					X		X	
b) Probable default	1.236	260	1.941	12.571	X	4.484	X	11.524
- positions forming the object of loans granted	*874*	*153*	*717*	*5.993*	X	*1.441*	X	*6.296*
c) Past due impaired exposures	759	1.517	952	2.679	X	572	X	5.335
- positions forming the object of loans granted	*496*	*9*	*57*	*1.996*	X	*205*	X	*2.353*
d) Past due unimpaired exposures	X	X	X	X	23.097	X	141	22.956
- positions forming the object of loans granted	X	X	X	X	*5.653*	X	*46*	*5.607*
e) Other unimpaired exposures	X	X	X	X	82.299	X	363	81.936
- positions forming the object of loans granted	X	X	X	X	*3.765*	X	*39*	*3.726*
TOTAL A	**1.995**	**1.777**	**2.893**	**31.598**	**105.396**	**18.014**	**504**	**125.141**
A. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	91				X		X	91
b) Unimpaired	X	X	X	X	9.645	X	48	9.597
TOTAL B	**91**	**-**	**-**	**-**	**9.645**	**-**	**48**	**9.688**
TOTAL (A+B)	**2.086**	**1.777**	**2.893**	**31.598**	**115.041**	**18.014**	**552**	**134.829**

A.1.7 On-balance sheet credit exposures to customers: dynamics of gross impaired exposures

Reasons/Categories	Non-performing	Probable default	Past due impaired
A. Initial gross exposure	***22.749***	***6.121***	***1.937***
- exposures sold and not derecognised			
B. Increases	***20.015***	***17.143***	***12.846***
B.1 revenue from performing exposures		44	37
B.2 transfers from other categories of impaired exposures		11	
B.3 other increases	20.015	17.088	12.809
- from business aggregation	20.015	7.342	2.928
C. Decreases	***26.416***	***7.256***	***8.876***
C.1 expenses from performing exposures			34
C.2 derecognition	8.606		
C.3 receipts	565	7.256	2.922
C.4 earnings from sales	17.244		
C.5 losses from sales			
C.6 transfers to other categories of impaired exposures			11
C.7 other decreases	1		5.909
D. Final gross exposure	***16.348***	***16.008***	***5.907***
- exposures sold and not derecognised			

A.1.7a On-balance sheet credit exposures to customers: dynamics of exposures forming the object of gross loans granted, separated by credit quality

Reasons/Categories	Exposures forming the object of loans granted: impaired	Exposures forming the object of loans granted: unimpaired
A. Initial gross exposure	***5.430***	***8.230***
- exposures sold and not derecognised		
B. Increases	***11.727***	***9.216***
B.1 revenue from performing exposures not forming of loans granted	7.737	1
B.2 revenue from performing exposures forming the object of loans granted		X
B.3 revenue from exposures forming the object of impaired loans granted	X	
B.4 other increases	3.990	9.215
- from business aggregation	4.462	6.780
C. Decreases	***8.508***	***8.113***
C.1 expenses from performing exposures not forming the object of loans granted	X	
C.2 expenses from performing exposures forming the object of loans granted		X
C.3 expenses from exposures forming the object of loans granted	X	
C.4 derecognition	32	
C.5 receipts	4.492	6.578
C.6 earnings from sales	914	
C.7 losses from sales	3.070	
C.8 other decreases		1.535
D. Final gross exposure	***8.649***	***9.333***
- exposures sold and not derecognised		

A.1.8 Impaired on-balance sheet exposures to customers: dynamics of total impairments

Reasons/Categories	Non-performing		Probable default		Past due impaired	
	Total	of which: exposures forming the object of loans granted	Total	of which: exposures forming the object of loans granted	Total	of which: exposures forming the object of loans granted
A. Initial total impairments	***10.092***		***528***	***322***	***78***	***49***
- exposures sold and not derecognised						
B. Increases	***33.026***	***1.305***	***6.268***	***1.613***	***730***	***156***
B.1 impairments	18.160		4	1.199	435	12
B.2 losses from sales						
B.3 transfers from other categories of impaired exposures			7			
B.4 other increases	14.866	1.305	6.257	414	295	144
- from business aggregation	14.043	1.305	2.498	414	295	86
C. Decreases	***30.160***	***1.305***	***2.312***	***494,00***	***236,00***	***-***
C.1 value reinstatements from measurement	1.448					
C.2 value reinstatements from cash inflows	159	1.299	1.995		204	
C.3 profit from sales						
C.4 derecognition	22.468					
C.5 transfers to other categories of impaired exposures					7	
C.6 other decreases	6.085	6	317	494	25	
D. Final total adjustments	***12.958***	***-***	***4.484***	***1.441***	***572***	***205***
- exposures sold and not derecognised						

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of on-balance sheet and off-balance sheet credit exposures by external rating classes

The bank uses the Standardised Approach based on risk mapping by the agency DBRS Rating Limited exclusively for exposures relating to the Eridano SPV senior notes (ISIN IT0005188427, operation no. 1091).

Exposures	External rating classes						No rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures		7.749					201.565	209.314
B. Derivatives								
B.1 Financial derivatives								
B.2 Credit derivatives								
C. Guarantees given							9.856	9.856
D. Commitments to disburse funds								
E. Other								
Total		**7.749**					**211.421**	**219.170**

With long-term ratings:

Credit merit class	Risk weight coefficients				ECAI
	Central governments and central banks	Supervised intermediaries, public sector agencies, and territorial entities	Multilateral development banks	Businesses and other entities	DBRS Ratings Limited
1	0%	20%	20%	20%	from AAA to AAL
2	20%	50%	50%	50%	from AH to AL
3	50%	50%	50%	100%	from BBBH to BBBL
4	100%	100%	100%	100%	from BBH to BBL
5	100%	100%	100%	100%	from BH to BL
6	150%	150%	150%	150%	CCC

A.2.2 Distribution of on-balance sheet and off-balance sheet exposures by internal rating classes

The bank does not use internal rating classes.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Secured loan exposures to banks

The bank does not have any secured loan exposures to banks.

A.3.2 Guaranteed credit exposures to customers

	Net exposure	Collateral (1): Property - mortgages	Collateral (1): Property - financial leases	Collateral (1): Securities	Collateral (1): Other collateral	Personal guarantees (2): Credit linked notes	Credit derivatives: Governments and central banks	Credit derivatives: Other public entities	Credit derivatives: Banks	Credit derivatives: Other entities	Endorsement credits: Governments and central banks	Endorsement credits: Other public entities	Endorsement credits: Banks	Endorsement credits: Other entities	Total (1)+(2)
1. On-balance sheet guaranteed credit exposure															
1.1. fully guaranteed	94.391	9.386	16.481	1.639	52.991							652		13.243	94.393
- impaired	16.655	1.486	6.543	664	6.482							40		1.440	16.657
1.2 partially guaranteed	206											52		115	167
- impaired	100													100	100
2. Off-balance sheet guaranteed credit exposure															
2.1. fully guaranteed	213				135									78	213
- impaired	56				56										56
2.2 partially guaranteed															
- impaired															

B. Distribution and concentration of credit exposures

B.1 Sector distribution of on-balance sheet and off-balance sheet credit exposures to customers (book value)

Exposures/Counterparties	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Portfolio impairments	Specific value adjustments	Net exposure	Portfolio impairments	Specific value adjustments	Net exposure	Portfolio impairments	Specific value adjustments	Net exposure	Portfolio impairments	Specific value adjustments	Net exposure	Portfolio impairments	Specific value adjustments	Net exposure	Portfolio impairments	Specific value adjustments	Net exposure
A. On-balance sheet exposures																		
A.1 Non-performing	X			X			X	1.034	20	X			X	7.462	1.850	X	4.463	1.520
- exposures relating to loans granted	*X*			*X*			*X*			*X*			*X*			*X*		
A.2 Probable default	X		3	X			X			X			X	2.783	8.163	X	1.701	3.357
- exposures relating to loans granted	*X*			*X*			*X*			*X*			*X*	*1.330*	*6.138*	*X*	*111*	*158*
A.3 Past due impaired exposures	X	1	43	X			X			X			X	379	3.080	X	192	2.212
- exposures relating to loans granted	*X*			*X*			*X*			*X*			*X*	*139*	*2.090*	*X*	*65*	*264*
A.4 Unimpaired exposures	1	X	10.383	2	X	588	17	X	11.340		X	2.056	270	X	26.780	208	X	53.745
- exposures relating to loans granted		*X*			*X*			*X*			*X*		*78*	*X*	*8.817*	*6*	*X*	*517*
TOTAL A	**1**	**1**	**10.429**	**2**		**588**	**17**	**1.034**	**11.360**			**2.056**	**270**	**10.624**	**39.873**	**208**	**6.356**	**60.834**
B. Off-balance sheet exposures																		
B.1 Non-performing	X			X			X			X			X			X		
B.2 Probable default	X			X			X			X			X			X		
B.3 Other impaired assets	X	-	-	X			X			X			X		56	X		35
B.4 Unimpaired exposures	-	X	-		X			X	66		X			X	200	48	X	9.331
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**66**	**-**	**-**	**-**	**-**	**-**	**256**	**48**	**-**	**9.366**
TOTAL (A+B) 31/12/2017	**1**	**1**	**10.429**	**2**	**-**	**588**	**17**	**1.034**	**11.426**	**-**	**-**	**2.056**	**270**	**10.624**	**40.129**	**256**	**6.356**	**70.200**
TOTAL (A+B) 31/12/2016	**1**		**74**						**9.880**				**150**	**6.970**	**30.204**	**141**	**3.751**	**35.479**

B.2 Territorial distribution of on-balance sheet and off-balance sheet credit exposures to customers (book value)

Exposures/Counterparties	ITALY							
	NORTHWEST		NORTH-EAST		CENTRAL		SOUTH AND	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures								
A.1 Non-performing	158	1.132	264	811	1.202	4.276	1.766	6.739
A.2 Probable default	259	85	498	83	1.401	481	9.366	3.835
A.3 Past due impaired exposures	389	19	250	11	1.283	42	3.413	499
A.4 Unimpaired exposures	9.025	29	4.033	9	36.314	81	55.520	386
TOTAL A	**9.831**	**1.265**	**5.045**	**914**	**40.200**	**4.880**	**70.065**	**11.459**
B. Off-balance sheet exposures								
B.1 Non-performing								
B.2 Probable default								
B.3 Other impaired assets					85		6	
B.4 Unimpaired exposures	2.210	9	1.093	4	1.649	11	4.645	24
TOTAL B	**2.210**	**9**	**1.093**	**4**	**1.734**	**11**	**4.651**	**24**
TOTAL (A+B) 31/12/2017	**12.041**	**1.274**	**6.138**	**918**	**41.934**	**4.891**	**74.716**	**11.483**
TOTAL (A+B) 31/12/2016	**22.741**	**2.226**	**3.753**	**623**	**15.205**	**2.526**	**33.938**	**5.638**

B.3 Territorial distribution of on-balance sheet and off-balance sheet credit exposures to banks (book value)

Exposures/Counterparties	ITALY							
	NORTHWEST		NORTH-EAST		CENTRAL		SOUTH AND	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures								
A.1 Non-performing								
A.2 Probable default								
A.3 Past due impaired exposures								
A.4 Unimpaired exposures	76.553		138		5.034		2.448	
TOTAL A	**76.553**		**138**		**5.034**		**2.448**	
B. Off-balance sheet exposures								
B.1 Non-performing								
B.2 Probable default								
B.3 Other impaired assets								
B.4 Unimpaired exposures							168	
TOTAL B							**168**	
TOTAL (A+B) 31/12/2017	**76.553**		**138**		**5.034**		**2.616**	
TOTAL (A+B) 31/12/2016	**6.919**		**50**		**3.094**		**1.593**	

B.4 Large exposures

a) Amount (book value): 36,547 thousand
b) Amount (weighted value): 19,549 thousand
c) Number: 5

C. Securitisation operations

Qualitative information

ERIDANO SPV (Operation Code 1091)

Strategies, processes, objectives, and characteristics of the operation

In May 2016, the bank completed a (traditional) securitisation of its unimpaired salary and pension-backed loans (all accompanied by guarantees), periodically selling portfolios with specific eligibility criteria on a monthly basis, against a consideration, over a ramp-up period of 19 months (until November 2017). This operation, created to diversify funding sources and optimise capital creation, involved the following parties:

Originator	ViViBanca SpA, formerly Terfinance SpA
Arranger	Banque Natixis SA
Servicer	ViViBanca SpA, formerly Terfinance SpA
Corporate Servicer	Zenith Service SpA
Structuring Advisor	Zenith Service SpA
Back Up Servicer	Zenith Service SpA
Representative of the Noteholders	Zenith Service SpA
Calculation Agent	Zenith Service SpA
Account Bank	BNP Securities Services SA
Paying Agent	BNP Securities Services SA

Portfolio sales in 2017

Sales of unimpaired loans in 2017 were carried out above par at the following frequencies:

Date of sale	Number	Maturing principal	Sale price
12/05/2017	951	21.050	22.945
14/06/2017	940	21.366	22.727
14/09/2017	914	20.480	21.913
14/10/2017	760	17.641	18.885
14/11/2017	895	19.925	21.332
Total	**4.460**	**100.462**	**107.802**

Description of the accumulated risks portfolio

At 31 December 2017, the portfolio, as a whole, had a gross exposure of 175 million Euro and a high granularity (gross average exposure of 21 thousand Euro) of Italian consumer households, as outlined below:

Exposures/SPBLs (Consumer households)	ITALY							
	NORTHWEST		NORTH-EAST		CENTRAL		SOUTH AND ISLANDS	
	Number	Gross exposure	Number	Gross exposure	Number	Gross exposure	Number	Gross exposure
Unimpaired exposures	2.365	47.402	628	13.395	1.742	39.055	3.565	74.980
Impaired exposures	23	341	4	118	12	245	18	341
Total	**2.389**	**47.608**	**632**	**13.471**	**1.753**	**39.185**	**3.583**	**75.164**

Financial instruments held in the portfolio and their ratings

The sales performed through Eridano SPV (established in accordance with Law 130/99 on securitisation), with its registered office in Milan, Via Alessandro Pestalozza 12/14, were financed through the issue of partly paid asset backed securities (ABS) subdivided into two classes:
- Senior Notes (Class A), with a variable rate (1M Euribor with a floor of -25 bps +150 bps), equal to 87% of the outstanding and issued for a nominal value of 200 million Euro, subscribed by Natixis Bank for the portion exceeding the vertical slice;
- Junior Notes (Class J), with a variable rate, equal to 13% of the outstanding, plus the technical reserves, issued for a nominal value of 65 million Euro and initially fully subscribed by ViViBanca, formerly Terfinance, and subsequently subscribed by third party investors for the portion exceeding the vertical slice. As previously noted, on 30 June 2016, Terfinance sold the Junior Notes exceeding 5% of this class, with a resulting derecognition of the loans sold to the vehicle company. Transfer of the significant risks and rewards associated with the operation was certified in a technical report approved by the Board of Directors and was supported by an audit opinion by a specialised consulting company.

As of 31/12/2017, and in compliance with the above-mentioned retention rule, ViViBanca retained a net economic interest in the operation equal to 5.051% of the value of the notes issued:

Class	ISIN	Initial value	Residual value	Rating	Issue date	Maturity date
A	IT0005188427	155.548	153.405	Moody's Aa2/DBRS A (High)	31/05/2016	31/12/2032
J	IT0005188682	37.549	37.549	NO	31/05/2016	31/12/2032

In July 2017, activities were concluded to obtain a listing on the Luxembourg Stock Exchange and a rating of the Class A Senior Notes, to which Moody's and DBRS assigned respective ratings of Aa2 and A (high).
This assessment was particularly positive, as it placed the ratings of both companies at the highest levels achieved in Italy for SPBL securitisation operations, including in consideration of the fact that this was the first operation for ViViBanca, with an average size and developed over a ramp up period of 19 months.

Servicing

This service generated a commission income of 173 thousand Euro.

Within the context of the operation and in its capacity as the Servicer, the Originator assumes the duty of managing the receipts and recovery of loans sold in the name and on behalf of the SPV, as well as periodically providing the SPV with information on the portfolio, necessary for the monitoring carried out by the parties involved in the operation.

This activity allows ViViBanca to maintain direct relations with its customers, transferring receipts of principal and interest onto accounts opened in the vehicle's name at the custodian bank (BNP Paribas).

Monitoring

The Administration and Finance Division, with the support of the Collection Division, performs monthly monitoring of credit quality and the relative cash flows deriving from the portfolio. This analysis - provided in the Servicer Report (certified annually by a specialised independent company) - is published on a dedicated page of the bank's website with a view to providing maximum transparency to the market. Within this context, the Board of Directors is informed on a quarterly basis of the operation's overall status, with particular focus on the portfolio triggers.

ADRIATICO FINANCE SPV

Strategies, processes, objectives, and characteristics of the operation

In its capacity as the sub-servicer, this special purpose vehicle is currently managing the financial leases forming the object of the securitisation operation performed in September 2008, which was comprised, at the time, of 1,227 contracts for a total maturing principal value of 118.7 million Euro, for the purpose of de-risking and liquidity procurement. The transferee vehicle company used is Adriatico Finance SME Srl, with its registered office in Milan, Via San Prospero 4. It was founded on 16 March 2007 with the exclusive corporate purpose of performing loan securitisation operations. This vehicle company has already been used for other mortgage securitisation operations performed by Banca Popolare di Bari, formerly Banca Tercas, and involving the following parties:

Originator	ViViBanca SpA, formerly Terfinance SpA, formerly Terleasing SpA
Servicer	Banca Popolare di Bari, formerly Banca Tercas SpA
Sub-servicer	ViViBanca SpA, formerly Terfinance SpA, formerly Terleasing SpA
Asset Manager	ViViBanca SpA, formerly Terfinance SpA – Vega Management Srl until 18 July 2008
Corporate Servicer	Zenith Service SpA
Representative of the Noteholders	Talete Creative Finance Srl
Collection Account Bank	HSBC Bank Plc
Computation Agent	Talete Creative Finance Srl
Italian Account Bank	HSBC Bank Plc
Principal Paying Agent	HSBC Bank Plc

Description of the portfolio

The securitised loans existing at 31 December 2017 totalled 43.4 million Euro, 28.7 million Euro of which were impaired, net of associated receipts for a total of 3.2 million Euro.

Financial instruments

All the security classes issued (Senior, Mezzanine, and Junior) have been fully subscribed by Banca Popolare di Bari, with the result that ViViBanca does not hold any of the following:

Class	ISIN	Initial value	Residual value	Rating	Issue date	Maturity date
A	IT0004413040	65.750	-	NO	25/09/2008	31/12/2032
B	IT0004413131	33.886	25.015	NO	25/09/2008	31/12/2032
C	IT0004413198	19.027	19.027	NO	25/09/2008	31/12/2032

Since July 2010, none of the securities have been rated (at 31/12/2009, Class A had a AA rating).

As required under applicable regulations, the appropriate derecognition analyses have been performed, from which it has emerged that substantially all the risks and rewards associated with the loans portfolio sold have been transferred, and the assets have therefore been derecognised by ViViBanca, formerly Terfinance.

Sub-servicing

This service generated commission income of 30 thousand Euro.

Within the context of the operation and in its capacity as the Sub-servicer, the Originator assumes the duty of managing the receipts and recovery of loans sold in the name and on behalf of the SPV, as well as periodically providing the SPV with information on the portfolio, necessary for the monitoring carried out by the parties involved in the operation.

Quantitative information

C.1 Exposures deriving from the bank's main securitisation operations, distributed by type of securitisation activity and by type of exposure

Type of asset securitised/Exposures	On-balance sheet exposures						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements	Book value	Value adjustments/reinstatements
A. Subject to full derecognition in the financial statements	**145.656**				**35.599**													
Type of asset																		
- SPBL (Eridano SPV - no. 1091)	145.656				35.599													
B. Subject to partial derecognition in the financial statements																		
C. Not derecognised in the financial statement	**7.749**				**1.950**													
Type of asset																		
- SPBL (Eridano SPV - no. 1091)	7.749				1.950													

The sub-item "Not derecognised" represents the amount of ABS held in compliance with the retention rules.

C.2 Exposures deriving from the main securitisation operations of third parties, distributed by type of securitisation activity and by type of exposure

The bank does not hold any exposures deriving from third party securitisation operations.

C.3 Securitisation vehicle companies

Name of securitisation/ Name of vehicle company	Registered office	Consolidation	Assets			Liabilities		
			Receivables and Loans	Debt securities	Other	Senior	Mezzanine	Junior
1091 - Eridano SPV Srl	Via Alessandro Pestalozza 12/14	No	182.046		10.577	153.427		37.620

The company does not hold any stakes in the vehicle company.

C.4 Non-consolidated securitisation vehicle companies

The bank has not sponsored securitisation vehicles within the meaning of IFRS 12, paragraphs 3, 27, 31, B25, and B26.

C.5 Servicer activities – own securitisations: receipts from securitised loans and redemption of securities issued by the vehicle company for the securitisation

Company vehicle	Securitised assets (data from period end)		Receipts from loans realised in the year		Percentage of securities redeemed (data from period end)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Assets .	Assets performing	Assets .	Assets performing	Assets .	Assets performing
1091 - Eridano SPV Srl	1.025	181.021	34	21.216		1,0				

D. Information on structured entities not consolidated in the financial statements (other than the securitisation vehicle companies)

Qualitative information

The bank holds a single, non-significant exposure to the UCI Minibond PMI Italia, the underlying asset of which is a bond.

Quantitative information

Financial statement items/ Type of structured entity	Portfolios accounting assets	Total assets (A)	Portfolios accounting . liabilities	Total liabilities (B)	Value . net (C=A-B)	. . . Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value . (E=D-C)
1. Minibond PMI Italia UCI	30. Financial assets available for sale	49			49	49	-

E. Sale transactions

In 2017, the following transactions were carried out involving the sale of loans without recourse:

Counterparty	Date of sale	Number	Maturing principal	Nature of loans
Banca Alpi Marittime CC di Carrù	19/05/2017	187	4.385	SPBL
BCC di Battipaglia e Montecorvino Rovella	29/06/2017	38	2.959	Mortgages and personal loans
B2 Kapital Investment	06/11/2017	152	18.840	NPLs
Banca Alpi Marittime CC di Carrù	13/12/2017	181	4.226	SPBL
ING Bank	18/12/2017	731	18.015	SPBL
Banca Don Rizzo CC della Sicilia Occidentale	20/12/2017	148	3.741	SPBL
ING Bank	30/12/2017	3690	61.282	SPBL
Total		**5.127**	**113.449**	

These sales primarily involved unimpaired loans (SPBLs and mortgages and personal loans), with the exception of the planned divestment of impaired banking loans.

A. Financial assets sold and not fully derecognised

The bank does not hold any financial assets sold and not fully derecognised.

B. Financial assets sold and fully derecognised, with recognition of continuing involvement

The bank does not hold any financial assets sold and fully derecognised, with recognition of continuing involvement.

F. Credit risk measurement models

In accordance with the accounting principles of reference, the bank periodically measures expected losses, carrying out the appropriate valuation of its assets. Within this context and with particular reference to the customer loans portfolios, it analytically measures the non-performing positions (taking into consideration any eligible guarantees) and collectively valuates the performing positions.

With respect to credit risk, regulatory capital requirements are calculated by applying the Standardised Approach.

The composition of asset items based on applied regulations is provided below:

	Non-risk-weighted exposures	Risk-weighted exposures	Requirements (8%)
Central governments and central banks	18.256	4.336	347
Regional governments or local authorities	406	81	6
Public sector agencies	6	6	0
Supervised intermediaries	84.182	20.222	1.618
Companies	8.810	8.667	693
Retail exposures	75.144	51.345	4.108
Exposures guaranteed by property	12.873	5.207	417
Exposures past due	21.642	25.476	2.038
Exposures in capital instruments	237	237	19
Exposures in UCIs	49	49	4
Exposures to securitisations	9.622	27.295	2.184
Other exposures	17.031	16.837	1.347
Total	**248.258**	**159.758**	**12.781**

Section 2 – Market risk

2.1 Interest rate risk and price risk – supervisory trading portfolio

The bank does not hold a supervisory trading portfolio.

2.2 Interest rate risk and price risk - banking portfolio

Qualitative information

A. General aspects, management procedures, and methods for valuating interest rate risk and price risk

Given the characteristics of lending and funding instruments used, interest rate risk and liquidity risk are the main forms of financial risk implicit in the company's activities.

Interest rate risk means the probability that the financial assets/liabilities will register an increase or decrease in value due to changes in interest rate values. The concept of rate risk therefore includes the possible occurrence of either favourable or unfavourable events.

The concept of risk is tied to the concept of risk exposure; thus, a risk exists for an entity that is required to manage it if and insofar as this risk has effects on its assets/liabilities. Therefore, rate risk involves the possibility that an entity that holds assets/liabilities indexed on a market rate parameter will experience a change in its cash inflows and/or outflows following a change in interest rates.

The structure of the ViViBanca financial statements is characterised, with respect to assets, by a predominantly fixed rate medium- to long-term lending portfolio (the salary-backed loans) and, with respect to liabilities, by short- to medium-term funding/loan operations.
Interest rate risk originates from the difference in maturities and interest rate repricing dates of the company's assets and liabilities. In the presence of these differences, interest rates changes create volatility in the expected interest margin, on one hand, and cause a change in the value of assets and liabilities, on the other hand, with a resulting change in the economic value of the company's shareholders' equity.

To manage the bank's financial structure, indicators are used that take into account a balancing of interest-bearing assets and interest-bearing liabilities. Regulatory indicators also fall within this context, as do any other indexes used within the context of the liquidity risk management and governance process.
ViViBanca thus guarantees its cash flows in an integrated manner, through measurement and control methods that are summarised in detailed reports speaking primarily to the following subject areas:

- maturity ladders, identifying the sensitivity of the bank's asset liability management to any changes in the interest rate curve;
- loan to deposit, i.e., the ratio of customer lending to direct funding, as a general indicator of financial equilibrium;
- financial leverage, defined as the ratio of liabilities to assets (not risk weighted);
- financial reporting on expected cash flows/liquidity flows;
- counterbalancing capacity and net balance of the total liquidity.

The most important indicators are integrated into the risk appetite framework or RAF, i.e., the framework of reference that defines – in compliance with the maximum assumable risk, the business model, and the strategic plan – risk appetite, tolerance thresholds, risk limits, risk management policies, and the key processes needed to define and implement them. The RAF is periodically reviewed (normally at the time of approval of the annual budget), with a view to ensuring that it remains consistent with the bank's strategy, as well as following any significant changes in the internal context of reference (e.g., significant deviation from objectives), the external context of reference (e.g., emerging financial or regulatory risks), the business model, the scale of operations, or funding capacity.

With a view to the internal coordination of financial risks, the Financial Risks Committee provides a consultation and proposal role, supporting guidance, monitoring, and governance of the risks in question, and coordination between areas of operation. The Committee offers proposals and consultation to top management, which governs the Committee itself and summarises the risk management process (avoid/reduce/share/transfer/accept risk). For its areas of responsibility, and where established limits are exceeded, it supports the Board of Directors and general management in evaluating the most appropriate measures for restoring previous levels.

B. Fair value hedging activities

The bank does not having any fair value hedging activities.

C. Cash flow hedging activities

The bank does not have any cash flow hedging activities.

Quantitative information

1. Banking portfolio: distribution by residual duration (by repricing date) of the financial assets and liabilities

Items/Residual duration	On sight	Up to three months	3 months > 6 months	6 months > 1 year	1 year > 5 years	5 years > 10 years	Beyond 10 years	Indefinite duration
1. On-balance sheet assets								
1.1 Debt securities								
- with early repayment option								
- other	1.874	7.749		10.108			70	
1.2 Loans to banks	79.015	746					4.412	
1.3 Loans to customers								
- current accounts	7.490			20	32			
- other loans								
- with early repayment option	4.771	1.870	1.781	3.336	26.055	15.241	17	
- other	10.750	21.837	495	1.057	6.939	2.491	4.615	
2. On-balance sheet liabilities								
2.1 Due to customers								
- current accounts	27.819	6.355	20.407	20.451	28.308			
- other payables								
- with early repayment option								
- other	851							
2.2 Due to banks								
- current accounts	400							
- other payables	9.084	47.110						
2.3 Debt securities								
- with early repayment option								
- other		473	1.505	454	6.337	7.002		
2.4 Other liabilities								
- with early repayment option								
- other								
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
3.2 Without underlying security								
- Options								
+ long positions								
+ short positions								
- Other derivatives								
+ long positions								
+ short positions								
4. Other off-balance sheet operations								
+ long positions								
+ short positions								

2. Banking portfolio: internal models and other methods to analyse sensitivity

The bank does not have any internal models additional to the models required under regulations.

2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes, and methods for valuating exchange rate risk

Exposure to exchange rate risk is normally limited, as it essentially refers to cash flows in foreign currencies relative to traditional operations with customers; at the present time, the current accounts in foreign currencies (USD and GBP) carry almost-nil balances.

The bank does not perform any speculative activities in this segment.

B. Exchange rate risk hedging activities

The bank does not perform any exchange rate risk hedging activities.

Quantitative information

1. Distribution of assets, liabilities, and derivatives by foreign currency

Items	Currencies					
	US Dollar	Pound	Yen	Canadian Dollar	Swiss Franc	Other currencies
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
B. Other assets	**2**					
C. Financial liabilities						
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ Long positions						
+ Short positions						
- Other derivatives						
+ Long positions						
+ Short positions						
Total assets	**2**					
Total liabilities						
Imbalance (+/-)	**2**					

2. Internal models and other methods to analyse sensitivity

The bank does not have any internal models additional to the models required under regulations.

2.4 Derivative instruments

The bank does not hold derivative instruments.

Section 3 – Liquidity risk

Qualitative information

A. General aspects, management processes, and methods for measuring liquidity risk

Within a banking context, liquidity is the ability to meet payment commitments in a timely manner in relation to cash inflows and outflows. Liquidity risk therefore consists of the bank's impossibility of fulfilling its obligations at their maturity, due either to an inability to procure new finds (funding liquidity risk) and/or to an inability to liquidate assets on the market owing to maturity transformation (market liquidity risk).

Liquidity risk also includes the risk of being required to fulfil payment commitments at above-market costs, with the consequence of sustaining a high cost of funding and incurring capital losses on the divestment of assets.

In order to preserve the strategic objective of safeguarding its financial stability, in consideration of the aspects defined in the Risk Appetite Framework and consistent with previously established profitability and capitalisation objectives, ViViBanca has decided to implement controlled growth of lending and funding volumes.

Aside from the RAF, the most important safeguard is the Contingency Funding & Recovery Plan, which defines the liquidity management and control processes and responsibilities, in consideration of the nature and complexity of the bank and in compliance with supervisory regulations. The entire bank, each person in accordance with his or her responsibilities, is required to comply with this policy. It is the Contingency Funding & Recovery Plan (hereinafter also the CFRP) that establishes the necessary measures to be taken in the event of liquidity stress, defining the necessary emergency procedures to procure financing.

A list of liquidity indicators currently monitored and the relative activation thresholds for the different scenarios identified are provided below. For each indicator, specific thresholds/different scenarios are defined based on the RAF and the business model adopted:

- to assess the bank's vulnerability in the short term (30 days), reference is made to the Liquidity Coverage Ratio (LCR), i.e., the ratio between the volume of high quality liquid assets held and the net cash outflows that could arise under stress conditions within the next 30 days;
- another indicator useful for monitoring the structural equilibrium between the bank's balance sheet items is the Internal Rate of Return (IRR), which is obtained from the ratio of volumes related to direct funding from customers and lending to customers. This ratio assists in guiding the bank's strategic choices, avoiding possible liquidity imbalances over the long term;
- the 2018 "incoming" indicator, i.e., the Net Stable Funding Ratio (NSFR), likewise merits mention: it determined by the proportion of Available Stable Funding (ASF) to Required Stable Funding (RSF), which requires that a minimum stable funding level be maintained, based on the liquidity levels of the balance sheet assets, commitments, and any other off-balance sheet exposures, in order to avoid possible imbalances in the structure resulting from asset and liability maturities.

In order to consolidate and supplement the liquidity risk management and control system, ViViBanca has also decided to create its own set of management indicators to examine the evolution of the bank's internal context and market context.

To this end, the bank intends to adopt its own series of indicators, for which any exceeding of thresholds would be a warning sign that, under certain conditions, would give warning of a possible liquidity crisis or specific and/or systemic stress and would result in the immediate activation of corrective measures. In particular, the functional indexes selected are:

- Global cumulative liquidity index;
- Imbalance in lending/direct funding – deviations from the budget;
- Differential between the 3M OIS rate and the 3M Euribor rate.

Finally, for the purposes of internal coordination and as indicated in the table, the Financial Risks Committee has been established as a consultation body whose activities support general management in its financial asset management. The Committee supports the Executive in establishing acceptable limits on financial risk (operational autonomy, financial instruments, markets and counterparties, etc.). It defines and updates systems and models for risk measurement (including financial reporting), and proposes, from a consultation perspective, the actions that should be taken based on the RAF model defined by the bank.

Quantitative information

1. Accrual-basis distribution by residual contractual duration of financial assets and liabilities

Items/Time periods	On sight	From . 1 day to 7 days	From . 7 days to 15 days	From . 15 days to 1 month	From . 1 month to 3 months	From . 3 months to 6 months	From . 6 months to 1 year	From . 1 year to Five years	Beyond five years	Indefinite duration
On-balance sheet assets										
A.1 Government securities			11			17			10.000	
A.2 Other debt securities							13		13.328	
A.3 Shares in UCIs	49									
A.4 Loans										
- Banks	79.770								4.412	747
- Customers	22.577	19	69	1.143	2.984	3.329	6.257	40.755	36.395	
- other loans										
On-balance sheet liabilities										
B.1 Deposits and current accounts										
- Banks	6.397	5.600	13.000		28.500					
- Customers	28.567	270	8	70	5.913	20.313	20.294	28.170		
B.2 Debt securities	1		1	107	382	1.710	566	6.149	7.000	
B.3 Other liabilities	120					667		2.413		
Off-balance sheet operations										
C.1 Financial derivatives with exchange of capital										
- long positions										
- short positions										
C.2 Financial derivatives without exchange of capital										
- long positions										
- short positions										
C.3 Deposits and loans receivable										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees given										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

Section 4 - Operational risk

Qualitative information

A. General aspects, management processes, and methods for measuring operational risk

ViViBanca defines operational risk as the risk of suffering losses deriving from inadequate or dysfunctional procedures, human resources, or internal systems, or from external events. This type of risk includes, inter alia, losses deriving from fraud, human error, a disruption of operations, system unavailability, breach of contract, natural disasters. Operational risk also includes legal risk.

To this end, the company protects itself against corporate risk by establishing procedures for the disbursement and placement of loans, using a monitoring system of corporate controls assigned to process owners and/or operating units for first level controls, with second level controls by the Risk Management and Compliance Department and third level controls by the Internal Audit department.

In particular, the Organisation and Security unit, jointly with the Compliance unit and Anti-Money Laundering, which own the corporate procedures management system, circulate the necessary operating instructions, updates to sector regulations, and modifications to the computer system to all levels of the bank through the user of circulars intended to inform personnel in a timely manner of changes to the operating procedures; processes are continuously updated and formalised in manuals, which are published on the company intranet and are intended to govern operations and the organisational structure.

The process for identifying corporate risk is carried out on an ongoing basis by way of a constant mapping of the company’s core processes, which are defined by management; these activities are also carried out with the assistance of external consulting firms.

These analyses are also used to develop IT measures and concurrent updates of relative procedures of reference, with a resulting reduction in manual processes and the attainment of qualitative benefits.

The operating losses database is updated on an ongoing basis, with contributions from each risk-taking unit: coordination is entrusted to the Risk Management Department which analyses risk levels, even in terms of their economic impact.

Quantitative information

With respect to operational risk, regulatory capital requirements are determined by applying the Basic Indicator Approach (BIA), which provides for application of the regulatory weighting factor to the relevant indicator, determined as the three year average of operational volumes generated by the company.

As a result of the merger, and with a view to avoiding distorted estimates of these requirements, the bank has modified its calculation, summing the indicators recognised by the companies involved in the merger (merged company and merging company) by year, to take these circumstances into account.

Year	Relevant indicator	Average	Weighting factor	Capital requirement
2017	19.269	15.667	15%	2.350
2016	14.441			
2015	13.290			

Part F – INFORMATION ON SHAREHOLDERS’ EQUITY

Section 1 - Company equity

A. Qualitative information

The company’s shareholders’ equity management activities are focused on identifying and maintaining the correct amount of shareholders’ equity, as well as the optimal combination of the various alternative capitalisation instruments, in order to ensure full compliance with supervisory requirements and consistency with the risk profiles identified.

In particular, equity-related strategic objectives include the appropriate expected profitability levels (in terms of both absolute value and capital ratios), in addition to maintaining capitalisation levels in line with current regulations.

The company ensures adequate capitalisation levels through measurement and monitoring activities that are based on the following instruments:

- Capital Planning is the process that measures the availability of regulatory capital over the reference period and subsequent periods, in function of expected evolution, with the objective of meeting the minimum mandatory requirement levels and anticipating any corrective measures; capital planning identifies the regulatory capital components, the corresponding RWAs, and the relevant indicators (CET 1 ratio, Tier 1 ratio, Total Capital Ratio);
- ICAAP (Internal Capital Adequacy Assessment Process) is the process that measures capital adequacy vis-à-vis the material risks inherent in the company’s operations and the reference markets. The Second Pillar, i.e., the process of control over the total risk exposure of supervised banks, supplements the Internal Capital Adequacy Assessment Process or ICAAP with the quantitative rules established in the First Pillar for the calculation of prudential capital requirements. Through appropriate self-assessment, this process considers the characteristics and specific risk profiles of the individual entity and assesses its potential impact.

In 2016, the supervisory authority notified the company of its specific minimum capital requirements, equal to 11.7% of Common Equity Tier 1 and 15.6% of the Total Capital. These requirements were also confirmed for 2017.

B. Quantitative information

B.1 Company equity: composition

Items/Values	Total 31/12/2017	Total 31/12/2016
1. Capital	31.398	21.277
2. Share premium reserve		3.486
3. Reserves	(265)	1.965
- profits	(265)	1.965
a) legal		2.428
b) statutory		
c) treasury shares		
d) other	(265)	(463)
- other		
4. Capital instruments		
5. (Treasury shares)		
6. Valuation reserves	(98)	(47)
- Financial assets available for sale	(26)	
- Tangible assets		
- Intangible assets		
- Hedging of foreign investments		
- Hedging of cash flows		
- Exchange rate differences		
- Non-current assets held for sale		
- Actuarial profit/loss relative to defined benefit pension plans	(72)	(47)
- Portion of valuation reserves relating to subsidiaries valued using the equity method		
- Special revaluation laws		
7. Profit (loss) for the period	1.008	1.205
Total	**32.042**	**27.886**

B.2 Valuation reserves for financial assets available for sale: composition

Asset/Value	Total 31/12/2017		Total 31/12/2016	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		(28)		
2. Equity securities				
3. Shares in UCIs	2			
4. Loans				
Total	**2**	**(28)**		

B.3 Valuation reserves for financial assets available for sale: annual changes

	Debt securities	Equity securities	Shares in UCIs	Loans
1. Initial figures				
2. Increases	**583**		**2**	
2.1 Fair value increases	549			
2.2 Reversal of negative reserves to the income statement				
from impairment				
from disposals				
2.3 Other changes				
2.4 Business aggregation operations	34		2	
3. Decreases	**(611)**			
3.1 Fair value decreases	(28)			
3.2 Adjustments owing to impairment				
3.3 Reversal to the income statement of positive reserves from disposals	(583)			
3.4 Other changes				
4. Closing figures	**(28)**		**2**	**-**

B.4 Valuation reserves relative to defined benefit plans: annual changes

During the financial year, a decrease of 40 thousand Euro (net of the tax effect) was observed in the valuation reserves relative to defined benefit plans, owing to the business combination. An increase of 15 thousand Euros was reported in relation to profits included in the total profitability of the period.

Section 2 - Own funds and supervisory ratios

Own funds and supervisory ratios are calculated in accordance with the Bank of Italy's current regulations following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), which transpose the standards defined by the Basel Committee for prudential supervision in the European Union.

The range of application of the regulations respecting own funds and supervisory ratios is the same as perimeter as applied to regulations respecting financial statements.

2.1 Own funds

A. Qualitative information

1. Common Equity Tier 1 – CET1

Tier 1 capital is comprised of paid-up capital, reserves, and the profit (loss) for the period, net of the following elements to be deducted:

- intangible fixed assets of 2,067 thousand Euro (1,236 thousand Euro of which pertains to goodwill);
- 80% (transitional regime) of the deferred tax assets of 2,620 thousand Euro originating from temporary differences associated with future profitability and not re-absorbable over time (composed of tax liabilities that can be carried forward), therefore equal to 2,096 thousand Euro.

2. Additional Tier 1 capital – AT1

The company does not hold any instruments that can be classified as Additional Tier 1 capital.

3. Tier 2 capital – T2

Tier 2 capital is comprised of subordinated bonds that meet the contractual conditions set forth under applicable regulations, including subordination of redemption vis-à-vis other creditors in the event of termination, non-conversion into capital instruments or other liabilities, and a minimum duration of five years, excluding any clauses respecting early redemption during this period. Within this context, the above-mentioned instruments are amortised in function of residual days, as outlined below:

Lower Tier II subordinated bond	ISIN	Issue date	Redemption date	Duration in days	Residual duration in days	Nominal value	Calculable value
Fixed rate 4.25%	IT0005010589	10/04/2014	10/04/2019	1.826	465	2.585	658
Fixed rate 4.00%	IT0005054835	15/10/2014	15/10/2019	1.826	653	1.000	358
Fixed rate 3.25%	IT0005106510	30/04/2015	30/04/2020	1.826	851	990	461
Var. Rate 2.75% + 6M EUR	IT0005314486	30/11/2017	30/11/2027	3.652	3.621	7.000	7.000
					Total	**11.575**	**8.477**

B. Quantitative information

	Total 31/12/2017	Total 31/12/2016
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**32.042**	**27.886**
CET1 instruments forming the object of transitional arrangements		
B. CET1 prudential filters (+/-)		
C. CET1 gross of elements to be deducted and effects of the transitional regime (A +/-	**32.042**	**27.886**
D. Elements to be deducted from CET1	**(4.163)**	**(6.950)**
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Common Equity Tier (CET1) (C - D +/- E)	**27.879**	**20.936**
G. Additional Tier 1 capital (CET1) gross of elements to be deducted and effects of the transitional regime		
AT1 instruments forming the object of transitional arrangements		
H. Elements to be deducted from AT1		
I. Transitional regime - Impact on AT1 (+/-)		
L. Total Additional Tier 1 capital (AT1) (G - H +/- I)	**-**	**-**
M. Tier 2 capital (T2) gross of elements to be deducted and effects of the transitional regime	**8.477**	
T2 instruments forming the object of transitional arrangements		
N. Elements to be deducted from T2		
O. Transitional regime - Impact on T2 (+/-)		
P. Total Tier 2 equity (T2) (M - N +/- O)	**8.477**	**-**
Q. Total own funds (F + L + P)	**36.356**	**20.936**

2.2 Capital adequacy

A. Qualitative information

The company is subject to the capital adequacy requirements established by the Basel Committee and incorporated into the Bank of Italy’s current regulations. Under these rules, the capital to risk-weighted assets ratio must be equal to at least 8%.

Verification of compliance with capital requirements takes place from a two-fold perspective.

From a prospective point of view, concurrently with definition of the annual Action Plan and the Budget, the main impact-generating elements are identified, which are typically the expected growth of lending and the quantification of the main risk components. During the year, the performance of the principal capital ratios is recorded, in order to monitor and, if necessary, identify specific actions necessary to ensure compliance with the relevant requirements.

In the case of extraordinary operations, such as acquisitions or start-ups, a specific plan is prepared and becomes an integral part of the general Business Plan.

B. Quantitative information

Categories	Amounts not weighted		Amounts weighted/requirements	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
A. RISK-BEARING ASSETS				
A.1 Credit and counterparty risk	248.258	99.601	159.758	92.359
1. Standardised method	238.636	95.036	132.463	76.859
2. Internal ratings method				
2.1 Basic				
2.2 Advanced				
3. Securitisations	9.622	4.565	27.295	15.500
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			12.781	7.389
B.2 Risk of credit valuation adjustment				
B.3 Regulatory risk				
B.4 Market risk				
1. Standard method				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			2.350	1.134
1. Basic method			2.350	1.134
2. Standardised method				
3. Advanced method				
B.6 Other prudential requirements				
B.7 Other calculation elements				
B.8 Total prudential requirements			15.131	8.523
C. RISK-BEARING ASSETS AND SUPERVISORY RATIOS				
C.1 Risk weighted assets			189.133	106.538
C.2 Common equity Tier 1/Risk weighted assets (CET 1 capital ratio)			14,7%	19,7%
C.3 Tier 1 capital/Risk weighted assets (Tier 1 capital ratio)			14,7%	19,7%
C.3 Total own funds/Risk weighted assets (Total capital ratio)			19,2%	19,7%

Part G - AGGREGATIONS INVOLVING COMPANIES OR COMPANY BRANCHES

Section 1 - Operations performed during the financial year

2017 was characterised by completion of the acquisition and reverse merger with the former Credito Salernitano, resulting in a new bank named ViViBanca.

From an accounting standpoint, the acquisition was recognised in accordance with the provisions of IFRS 3.

The acquiring entity, Terfinance, subscribed to 75% of the capital increase in Crediter, which had set aside for it. The date contractually established for the acquisition of control was 1 January 2017, i.e., the closest date to Crediter's capital increase and to subsequent registration with the Companies Register. As of this date, Terfinance was able to dispose of the rights acquired and to exercise control over Crediter.
It is noted that, after acquiring control from an accounting standpoint, Terfinance did not exercise, in respect of Crediter, any management or coordination activities in accordance with Art. 2497 et seq. of the Italian Civil Code.

In conformity with the provisions of IAS 36, the goodwill will be allocated during 2018 to the cash generating units based on the company's new structure.

The value of the net assets acquired by Crediter and the resulting goodwill are outlined below.

	Values
Fair value of net assets acquired from Crediter at the date of acquisition	4.774
Goodwill	1.236
Total	**6.010**

The reverse merger by incorporation of Terfinance into Crediter, which followed the above-described business combination and resulted in the creation of ViViBanca, has been recognised from an accounting standpoint as subsequent and separate, and thus considered to be a business combination under common control. This operation led to the recognition of a merger deficit of 1,236 thousand Euro, which substantially reflects the difference between the invested value of 6,010 thousand Euro and the fair value of the merged company's assets and liabilities at 1 January 2017. The recognised value of the investment stake, calculated as its fair value, includes Crediter's impairment, which was largely attributable to the impairment of non-performing bank loans sold in 2017 and deferred tax assets on the losses recognised following the request for clarifications made to the Italian Internal Revenue Agency.

Section 2 – Operations performed after financial year end

No business combination activities governed by IFRS 3 were carried out after financial year end.

Section 3 – Retrospective impairments

No value adjustments were recognised in the current financial year relative to business combinations taking place in previous financial years.

Part H - OPERATIONS WITH RELATED PARTIES

*In accordance with Regulation (EU) No. 632/2010 of the Commission of 19 July 2010, IAS 24 defines the concept of related parties and identifies the correlation between related parties and the reporting entity.

In according with these concepts, the related parties of ViViBanca are:
- the majority shareholders and the companies controlled by them, including jointly, and their associates;
- executives with strategic responsibilities;
- the close relatives of shareholders and executives with strategic responsibilities, and the companies controlled, including jointly, by them or by their close relatives.

For the purposes of the management of operations with related parties, the bank makes reference to the provisions of CONSOB Regulation 17221/2010 (deriving from the provisions of Art. 2391-bis of the Civil Code) and the provisions introduced in 2011 by Title V, Chapter 5 of Bank of Italy Circular 263/2006, as well as the provisions of Art. 136, Legislative Decree 385/1993, by virtue of which company representatives may assume obligations vis-à-vis the bank that they direct, manage, or control only subject to the unanimous approval of the bank’s Board of Directors.

ViViBanca, in its capacity as an issuer (of financial instruments that are widely held by the public within the meaning of Art. 116 of the TUF - Italian Consolidated Finance Law) and an entity subject to the supervision of the Bank of Italy, has adopted the "Regulations for operations with related parties" for the management of operations with parties having a conflict of interest, intended to establish rules for investigation and approval with respect to the operations implemented with related parties, and to govern, taking into consideration the specific aspects characterising the above-referenced provisions, the procedures necessary to comply with the disclosure obligations to company bodies and to the market.

1 - Information on the remuneration of executives with strategic responsibilities

As required under IAS 24, paragraph 16, the remuneration of executives with strategic responsibility is provided below, such persons being understood as those having the authority and responsibility for planning, directing, and controlling the activities of the entity.

	Directors	Auditors	Executives	Total
Short-term benefits	377	80	1.067	**1.524**
Post-employment benefits			54	**54**
Other long-term benefits				
Indemnities upon termination of the				
Share-based payments				
Total	**377**	**80**	**1.121**	**1.578**

2 - Information on operations with related parties

All transactions with related parties during the financial year were carried out at market conditions. The relative details are provided below:

Balance sheet

Items/Related parties	Shareholders (*)	Executives with strategic responsibilities	Total	% of financial statement item
Financial assets available for sale	40		40	0,4%
Due from banks	11.470		11.470	13,6%
Total assets	**11.510**	**-**	**11.510**	**4,9%**
Due to banks	(39.000)		(39.000)	(68,9%)
Due to customers	(26.504)	(2.549)	(29.053)	(27,9%)
Securities issued	(7.126)		(7.126)	(45,2%)
Other liabilities	(159)		(159)	(0,7%)
Total liabilities	**(72.789)**	**(2.549)**	**(75.338)**	**(32,0%)**
Guarantees given and commitments			**-**	**-**

Income Statement

Items/Related parties	Shareholders (*)	Executives with strategic responsibilities	Total	% of financial statement item
Profit (loss) from the sale or repurchase of loans (rate delta)	239		239	5,3%
Total revenue	**239**	**-**	**239**	**0,9%**
Interest expenses and similar expenses	(256)	(25)	(281)	13,5%
Fee and commission expenses			-	0,0%
Personnel expenses		(1.578)	(1.578)	26,1%
Total costs	**(256)**	**(1.603)**	**(1.859)**	**7,2%**

Legend:
(*) = Shareholders and related company groups holding an equity investment of more than 5% in ViViBanca's share capital represented by shares with voting rights.

Information regarding the close relatives of shareholders and executives with strategic responsibilities (i.e., relatives who may be expected to influence, or by influenced by, the interested party) is included in their respective items.

The item "Shareholders" includes the following significant operations:
- interbank relations, distribution of SPBL products, and their direct management with Banca Popolare di Bari ScpA and with Banca Alpi Marittime Credito Cooperativo di Carrù ScpA;
- insurance agreements on SPBL products with Gruppo Net Insurance SpA;
- liquidity deposits by shareholder members of the shareholders' agreement and companies associated with them.

Other information

As required under Art. 2427, paragraph 16 bis of the Italian Civil Code, we provide below the total fees owing to the audit firm for its audit of the annual financial statements, including the activities carried out during the financial year to verify due financial record-keeping, the proper recognition of operations in the accounting records, and verification of the result included in the regulatory capital. These amounts are reported exclusive of flat-rate expenses, the supervisory fee, and VAT.

Items/Related parties	Audit of the annual financial statements*	Audit of the semi-annual financial statements	Verification of due financial record-keeping	Declaration of compliance of tax returns	Audit of securitised loans	Total
BDO Italia SpA	12.000	5.000	5.000	1.500		23.500
Deloitte & Touche SpA**			3.200		29.400	32.600

* activities inclusive of the signature of tax declarations and certifications of the Italian National Fund for Credit Guarantees
** activities limited to the period between 01/01/2017 and the date of merger

Part I – PAYMENT AGREEMENTS BASED ON THE BANK’S EQUITY INSTRUMENTS

The bank has not stipulated any payment agreements based on its equity instruments.

Part L - SECTOR INFORMATION

Although it is unlisted, the bank is an issuer of securities held by the public. For this reason, the sector information required under IFRS 8 is provided (balance sheet and income statement aggregated by business lines at 31/12/2017).

Balance sheet	Consumer	Banking	Finance	Total
Assets				
Financial assets valuated at fair value			37	37
Financial assets available for sale			10.358	10.358
Due from banks			84.173	84.173
Due from customers	52.404	50.881	11.748	115.033
Liabilities				
Due to banks			56.595	56.595
Due to customers			104.191	104.191
Securities issued			15.771	15.771

Income Statement	Consumer	Banking	Finance	Total
Net interest income	1.577	2.591	(1.755)	2.413
Net commissions	453	209		662
Other revenues/costs			16.275	16.275
Intermediation margin	**2.030**	**2.800**	**14.520**	**19.350**
Net value adjustments/reinstatements owing to impairment:	(416)	(4.592)		(5.008)
Net result of financial management	**1.614**	**(1.792)**	**14.520**	**14.342**

The Consumer Division includes the business area involved in the origination and management of SPBLs, while the banking segment is focused on the management of loans in a run-off stage, i.e., all products other than the core product (SPBLs). For both business lines, the cost of credit risk is managed through the transversal Collections Department.

The Finance Department includes activities inherent in the management of financial resources and costs/revenue to support business activities. This business line also includes all sales of loans and securities, as they are attributable to strictly financial management associated with funding activities.

Secondary disclosure by geographical area has been omitted. It is irrelevant, as customers are concentrated within the domestic market.

REPORT OF THE BOARD OF STATUTORY AUDITORS

RELAZIONE DEL COLLEGIO SINDACALE SUL BILANCIO AL 31 DICEMBRE 2017

E SULL'ATTIVITÀ DI VIGILANZA SVOLTA NELL'ANNO 2017

(art. 2429, COMMA 2, Codice Civile)

ALL'ASSEMBLEA DEGLI AZIONISTI DELLA

ViViBanca S.p.A.

Signori Azionisti,

tenuto conto dell'articolo 2403 del Codice Civile, il Collegio Sindacale con la presente Relazione Vi informa di quanto segue.

A conclusione di un iter iniziato nel giugno 2016, ViViBanca (nel prosieguo anche la "Società" o la "Banca") nasce a seguito dell'operazione di acquisizione e fusione inversa tra Terfinance SpA e Credito Salernitano SpA (successivamente Crediter) con atto di fusione del 10 aprile 2017 con effetto dal 17 aprile 2017 e con il nuovo capitale sociale pari ad € 31.397.751 suddiviso in azioni da € 1 ciascuna. Ai fini contabili e fiscali, gli effetti della fusione decorrono dal primo gennaio 2017 e, dal punto di vista contabile, l'operazione di acquisizione è stata rilevata contabilmente in base alle disposizioni dell'IFRS 3.

ViViBanca è una società specializzata nella Cessione del Quinto dello Stipendio con 86 dipendenti, due filiali (Torino e Salerno) e 70 agenzie in attività finanziaria.

Con assemblea del 27 aprile 2017 venivano approvati i bilanci chiusi al 31 dicembre 2016 dell'incorporante Crediter S.p.A. e dell'incorporata Terfinance S.p.A. e venivano nominati un nuovo Consiglio di Amministrazione ed un nuovo Collegio Sindacale.

Nel corso del 2017, la Banca compie alcune rilevanti operazioni ampiamente descritte nella Relazione sulla Gestione quali:

a) la conclusione del programma di cartolarizzazione tradizionale di crediti da cessione performing, denominato "Eridano SPV", iniziata nel maggio 2016 da Terfinance S.p.A.;
b) l'emissione di un nuovo prestito obbligazionario subordinato Lower Tier II di € 7 milioni destinato esclusivamente ad investitori qualificati, al fine di rafforzare il Patrimonio di Vigilanza;

c) la cessione pro-soluto di crediti Non Performing Loan (NPL) a novembre 2017 per complessivi € 18,8 milioni di valore lordo di libro e con un'offerta cash di € 1,9 milioni da parte del Fondo B2 Kapital Investment S.r.l. a seguito di un processo competitivo iniziato nel marzo 2017, con una percentuale di realizzo del 10,15%. Con tale cessione, la Banca ha abbattuto significativamente l'incidenza degli NPL, in anticipo rispetto a quanto previsto nel Programma di Attività presentato a Banca d'Italia ed a Banca Centrale Europea, in occasione della richiesta d'autorizzazione all'operazione di fusione con il Credito Salernitano;

d) nel dicembre 2017 l'acquisto di un portafoglio CQS per € 82 milioni di Banca Popolare di Bari con la successiva parziale rivendita di € 57 milioni a ING Bank il 30 dicembre 2017. Poiché superiore al 10% dei Fondi propri della Banca, l'operazione è stata oggetto di preventiva autorizzazione da parte di Banca d'Italia, ai sensi dell'articolo 58 T.U.B. Poiché la Banca Popolare di Bari è "parte correlata" in quanto azionista di ViViBanca, una primaria società di revisione mediante una *Fairness opinion* ha asseverato il prezzo di acquisto dei crediti. La Relazione sulla gestione ricorda che le vendite *pro soluto* di crediti *performing* rientrano nel *business model* già seguito da Terfinance sin dal 2010 e confermato nel Piano di Attività 2017-2019 di ViViBanca ed hanno, fondamentalmente, l'obiettivo di sviluppare gli impieghi ottimizzando gli assorbimenti di capitale;

e) poiché uno degli obiettivi strategici di ViViBanca, è quello della crescita dimensionale, attraverso l'incremento delle quote di mercato, è stata acquistata una partecipazione inferiore al 10% in una società iscritta all'OAM, integrando anche parte della struttura; tale operazione potrebbe in futuro vedere ViViBanca acquisire il 100% della società (al raggiungimento di determinati obiettivi commerciali e di redditività), mettendo le basi di un nuovo modello di sviluppo ripetibile con altri operatori e con la possibile configurazione di un Gruppo Bancario.

Inoltre, la Società ha costituito il Comitato Parti Correlate in data 26 maggio 2017 ed il Comitato Remunerazioni in data 27 novembre 2017, anche a seguito della richiesta della Banca d'Italia dell'11 agosto 2018.

Il Consiglio di Amministrazione ha nominato l'Organismo di Vigilanza in data 26 maggio 2017; lo stesso è stato successivamente riconfigurato dalla delibera del Consiglio di Amministrazione del 27 novembre 2017 che ha affidato le funzioni al Collegio Sindacale.
Relativamente all'attività di vigilanza effettuata vi confermiamo che il Collegio Sindacale:

- ha partecipato alle mensili riunioni del Consiglio di Amministrazione, assicurandosi che le stesse si svolgessero nel rispetto della legge e dello Statuto;
- ha ottenuto dagli Amministratori tempestive ed idonee informazioni sull'attività sociale, sul generale andamento della gestione e sulla sua prevedibile evoluzione sia nel corso dei Consigli di Amministrazione tenuti mensilmente sia nel corso delle periodiche verifiche trimestrali;
- ha constatato, per quanto di propria competenza, il rispetto dei principi di corretta amministrazione da parte degli Amministratori nell'adempimento dei loro compiti, con osservazioni dirette e raccolta di informazioni dai responsabili preposti agli adempimenti amministrativi;
- ha partecipato al corso di formazione in house per il Consiglio di Amministrazione ed il Collegio Sindacale tenuto da formatori ABI della durata di 18 ore.

A seguito dei controlli effettuati e delle informazioni ricevute, l'operato degli Amministratori è risultato conforme a quanto previsto dalle norme di legge e di Statuto, orientato agli interessi della società e improntato sulla ragionevolezza e diligenza della gestione.

Il Collegio Sindacale non ha riscontrato operazioni atipiche e/o inusuali con terzi, con parti correlate o infragruppo, che sono ampiamente descritte nella sezione H del bilancio 2017 e che sono state preventivamente vagliate dal Comitato Parti Correlate. Si ricorda che ViViBanca, in quanto emittente (di strumenti finanziari diffusi tra il pubblico in misura rilevante ai sensi dell'art. 116 del T.U.F.) e soggetto vigilato Banca d'Italia, ha adottato il "Regolamento delle operazioni con soggetti correlati" per la gestione delle operazioni con soggetti in conflitto di interesse, per stabilire regole istruttorie e deliberative e disciplinare le procedure per adempiere agli obblighi di informativa verso gli organi sociali e verso il mercato.
Per quanto riguarda le operazioni con parti correlate o infragruppo, la relazione sulla gestione ne evidenzia i soggetti, l'oggetto e l'effettuazione a normale prezzo di mercato.

Per quello che concerne il sistema di controllo interno nel corso dell'esercizio 2017 il Collegio dà atto:

- di aver mantenuto un adeguato collegamento con le funzioni di controllo interno (Internal Audit, Risk Management e Compliance), ricevendo dalle stesse risultanze degli interventi previsti dai relativi piani di attività con incontri durante le veridiche trimestrali ed avendone verificato l'adeguatezza per l'efficace gestione e monitoraggio dei rischi e la presenza di adeguate risorse quali-quantitative, tenendo anche conto del principio di proporzionalità;
- di aver provveduto alla costante verifica della coerenza del sistema di controllo interno e della sua efficacia, anche in relazione al processo di adeguamento successivo alla fusione. Laddove ritenuto suscettibile di miglioramento, il Collegio ha formulato proprie raccomandazioni, che sono state sostanzialmente recepite dalla Banca.

Inoltre, come richiesto dalla Banca d'Italia nella comunicazione di autorizzazione alla fusione del 1° dicembre 2016 e nella successiva lettera di precisazioni dell'11 agosto 2017, la Banca ha inviato, trascorsi 6 mesi dalla fusione, una Relazione informativa sull'evoluzione delle dinamiche gestionali ed organizzative, corredata dalle risultanze della verifica della Funzione Internal Audit e della Funzione Compliance sui controlli interni e sull'adeguatezza dei presidi antiriciclaggio.

Nella Relazione approvata dal Consiglio di Amministrazione del 30 ottobre 2017 sono state descritte le attività, gli interventi posti in essere e quelli in corso, unitamente all'andamento commerciale, finanziario, patrimoniale ed economico realizzati dalla fusione alla data del 30 ottobre 2017. Dalla relazione risulta che:

- siano stati ripristinati i coefficienti patrimoniali prescritti e sia stato consolidato un assetto patrimoniale superiore alla media del sistema;
- sia stato posto in sicurezza il portafoglio crediti;
- sia stato avviato in anticipo il programma di dismissione di crediti in sofferenza;
- sia stata risanata la posizione di liquidità;
- siano stati integralmente rinnovati gli Organi di Supervisione Strategica e Controllo;
- procedano regolarmente i piani di sviluppo degli impieghi e della raccolta;
- sia stata completata l'integrazione organizzativa delle due aziende.

A supporto della Relazione, il Collegio ha anche esaminato le specifiche Relazioni dell'Internal Audit e della Compliance/AML, che confermano il superamento delle carenze rilevate nelle attività del Credito Salernitano, già anche segnalate nella relazione del precedente Collegio Sindacale al bilancio chiuso al 31 dicembre 2016 del Credito Salernitano e l'avvenuto significativo rafforzamento del Sistema dei Controlli Interni.
A seguito del lavoro svolto soprattutto nei mesi di settembre–ottobre, il Collegio Sindacale ha dichiarato quanto segue: *"A seguito dell'esame della relazioni redatte dalla Società e dall'Internal Audit in risposta alle lettere della Banca d'Italia dell'1 dicembre 2016 e dell'11 agosto 2017, e dopo avere ascoltato la discussione odierna ed avere incontrato ripetutamente negli scorsi mesi i Responsabili delle Funzioni di controllo Interno ed averne verificato l'attività svolta, il Collegio Sindacale ritiene che le funzioni di controllo interno della Banca (Risk Management, Compliance ed Internal Audit), dopo la fusione, siano sostanzialmente adeguate ai fini dell'efficace gestione e monitoraggio dei rischi così come richiesto dalla normativa vigente e che alle stesse siano state assegnate adeguate risorse quali-quantitative, tenendo anche conto del principio di proporzionalità. Inoltre, il Collegio sottolinea che il processo di fusione non è ancora stato completato e che quindi esistono delle aree di miglioramento che sono già oggetto di programmati lavori di adeguamento.".*

In riferimento al sistema amministrativo e contabile, il Collegio comunica di aver scambiato con la società incaricata della revisione legale dei conti BDO Italia S.p.A., anche con specifici incontri, reciproche informazioni che hanno permesso di confermare l'affidabilità del sistema amministrativo-contabile nel rappresentare correttamente i fatti di gestione.
In relazione all'adeguatezza della struttura organizzativa il Collegio ha proseguito, nell'ambito dei propri doveri, nel monitoraggio del processo di adeguamento della stessa.

Con riguardo ai fatti societari il Collegio dà atto che sono state rispettate le norme che regolano il deposito e la pubblicazione degli atti societari, nonché l'invio delle comunicazioni ed informative alle Autorità di Vigilanza, partecipando ove richiesto e necessario, alle riunioni convocate dalla Banca d'Italia e dalla Consob.

Il Collegio Sindacale si è rapportato con l'Organismo di Vigilanza ai sensi del DLgs. 231/2001, per il periodo aprile 2017-novembre 2017 tramite la presenza nello stesso Organismo del Presidente del Collegio Sindacale.

Relativamente al bilancio di esercizio al 31 dicembre 2017, approvato dal Consiglio di Amministrazione del 26 marzo 2018 unitamente alla relazione sulla gestione, che presenta un utile di esercizio di € 1.007.927, il Collegio Sindacale afferma quanto segue:

a) Il bilancio, in conformità al D. Lgs. del 28 febbraio 2005 n. 38, è redatto secondo i principi contabili IAS/IFRS emanati all'*International Accounting Standards Board* (IASB) e le relative interpretazioni dell'*International Financial Reporting Interpretations Committee* (IFRIC), omologati dalla Commissione Europea, come stabilito dal Regolamento Comunitario n. 1606 del 19 luglio 2002, nonché secondo gli schemi e le regole di compilazione contenuti nella Circolare della Banca d'Italia n. 262 del 22 dicembre 2005 (4° aggiornamento del 15 dicembre 2015). Nella predisposizione dell'elaborato sono stati applicati i principi IAS/IFRS in vigore alla data di riferimento della relazione (inclusi i documenti interpretativi denominati SIC e IFRIC), così come omologati dalla Commissione Europea.
b) Il bilancio è stato redatto nel presupposto che venga assicurata la continuità aziendale e rappresenta la reale situazione della società, come confermato dalla società di revisione BDO Italia S.p.A nella relazione sulla revisione dello stesso, datata 13 aprile 2018;
c) Il bilancio è stato redatto con l'osservanza delle norme di legge e dello Statuto in ordine alla sua impostazione e alla sua formazione, senza l'esercizio della deroga di cui all'art. 2423, comma 4 del Codice Civile, nonché sul rispetto della normativa specifica per la redazione dei bilanci bancari;
d) gli Amministratori, nella valutazione delle poste di bilancio, hanno rispettato sia il postulato della prudenza che quello della competenza economica;
e) il bilancio tiene conto dei rischi e delle perdite dell'esercizio anche se detti eventi sono stati conosciuti dopo la chiusura dell'esercizio. In particolare, la Società ha già valutato gli impatti economici e patrimoniali seguenti all'adozione del nuovo principio contabile IFRS 9 che dal 1° gennaio 2018 sostituisce lo IAS 39; tali effetti sono stati descritti nella Nota Integrativa – parte A (Politiche Contabili);

f) il bilancio è comparabile con i dati riferiti all'esercizio precedente tenendo conto che caso di operazioni di aggregazione aziendale, quale quella avvenuta, la circolare 262 di Banca d'Italia prevede che negli schemi di bilancio i dati comparativi riferiti all'esercizio precedente siano quelli dell'entità acquirente (31/12/2016 riferito alla Ex-Terfinance) ai sensi dell'IFRS 3. Per quanto concerne l'esigenza di favorire la comparabilità dei dati, un raffronto omogeneo tra i valori di bilancio è fornito nella "Relazione sulla gestione" (Proforma 2016 ottenuto come la somma di Ex-Terfinance e Ex-Crediter).

Il Collegio Sindacale esprime il proprio consenso alla capitalizzazione dell'avviamento di € 1,236 milioni derivante dall'aggregazione tra Terfinance SpA e Credito Salernitano SpA.

* * * * *

Nell'informarvi che nel corso dell'attività di vigilanza e di controllo, come sopra descritta, non sono emersi fatti censurabili, omissioni o irregolarità da segnalare ai competenti Organi di controllo o da menzionare nella presente Relazione, il Collegio Sindacale esprime parere favorevole all'approvazione del bilancio al 31 dicembre 2017, chiuso con un utile di € 1.007.927 ed alla sua destinazione alla Riserva Legale ed alla Riserva Utili.

Per il Collegio Sindacale

Il Presidente

dr. prof. Franco Vernassa

Torino, 13 aprile 2018

REPORT BY THE INDEPENDENT AUDIT FIRM

ViViBanca S.p.A.
Relazione della società di revisione indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39 e dell'art.10 del Regolamento (UE) n. 537/2014

Bilancio d'esercizio al 31 dicembre 2017

BDO

RVGL/LSTR/abro/RC049592017BD1659

Relazione della società di revisione indipendente
ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39 e dell'art.10 del Regolamento (UE) n. 537/2014

Agli azionisti della
ViViBanca S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della ViViBanca S.p.A. (la società), costituito dallo stato patrimoniale al 31 dicembre 2017, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa al bilancio che include anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della società al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art.43 del D.Lgs.136/15.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione.

Siamo indipendenti rispetto alla società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Aspetti chiave	Procedure di revisione in risposta agli aspetti chiave
Valutazione dei Crediti verso Clientela	
Nota integrativa: Informazioni sullo stato patrimoniale alla sezione 7 dell'attivo; informazioni sul conto economico alla sezione 8; informazioni sui rischi e sulle relative politiche di copertura. I crediti verso la clientela al 31 dicembre 2017 mostrano un saldo pari ad euro 115 milioni, corrispondente al 48,8% del totale dell'attivo del bilancio d'esercizio. Tale voce è stata ritenuta significativa ai fini dell'attività di revisione in considerazione del suo ammontare e delle caratteristiche dei processi e delle modalità di valutazione, che includono la stima di alcune componenti quali l'esistenza di indicatori di possibili perdite di valore, la determinazione dei flussi di cassa attesi ed i relativi tempi di recupero e il valore di realizzo delle garanzie correlate ai crediti.	Le principali procedure di revisione effettuate in risposta all'aspetto chiave relativo alla valutazione dei crediti verso clientela hanno riguardato: • l'analisi delle procedure e dei processi relativi alla voce in oggetto e verifiche dell'efficacia dei controlli a presidio di tali procedure e processi; • l'analisi dell'adeguatezza dell'ambiente informatico relativo agli applicativi informatici rilevanti ai fini del processo di valutazione dei crediti verso la clientela; • procedure di quadratura e di riconciliazione tra i dati presenti nei sistemi gestionali e le informazioni riportate in bilancio; • procedure di analisi comparativa ed analisi delle risultanze con le funzioni aziendali coinvolte; • analisi dei criteri e delle modalità di valutazione dei crediti (analitiche e collettive) e verifica su base campionaria della ragionevolezza delle assunzioni e delle componenti utilizzate per la valutazione e delle relative risultanze; • verifiche su base campionaria della classificazione e della valutazione in bilancio secondo quanto previsto dagli IFRS adottati dall'Unione Europea e dai provvedimenti emanati in attuazione dell'articolo 43 del D.Lgs. 136/2015 (Circolare 262 "Il bilancio bancario: schemi e regole di compilazione"); • la verifica dell'informativa fornita in nota integrativa.

Operazioni straordinarie

Nota integrativa:

Principi generali di redazione alla sezione 2 delle politiche contabili;

Informazioni sullo stato patrimoniale alla sezione 12 dell'attivo;

informazioni sulle operazioni di aggregazione riguardanti imprese o rami d'azienda.

La società ha realizzato nel corso dell'esercizio un'operazione straordinaria di fusione inversa della Terfinance S.p.A. nella Crediter S.p.A. volta alla costituzione della ViViBanca S.p.A.; tale operazione ha rappresentato un'area di particolare attenzione del nostro processo di revisione per effetto della complessità delle metodologie di valutazione adottate e della conseguente rilevazione contabile. Il processo di allocazione ai fini dell'identificazione, in via residuale, dell'avviamento pari a euro 1,2 milioni, si concluderà entro la fine dell'esercizio, coerentemente con quanto previsto dai principi contabili internazionali.

Le principali procedure di revisione effettuate, hanno riguardato:

- l'analisi documentale e discussione con le funzioni aziendali coinvolte circa le modalità di determinazione del costo dell'operazione;
- la verifica delle metodologie di valutazione utilizzate dalla direzione per la identificazione del fair value delle attività acquisite e delle passività assunte a supporto della PPA (purchase price allocation) e dell'avviamento residuale;
- l'analisi della rilevazione contabile dell'operazione e della relativa informativa secondo quanto richiesto dal principio internazionale IFRS 3.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art.43 del D.Lgs.136/15 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la società cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti della Società ci ha conferito in data 20 maggio 2012 l'incarico di revisione legale del bilancio d'esercizio della società per gli esercizi dal 31 dicembre 2012 al 31 dicembre 2020.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione legale, predisposta ai sensi dell'art. 11 del citato Regolamento.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art.14, comma 2, lettera e), del D.Lgs. 39/10.

Gli amministratori della ViViBanca S.p.A. sono responsabili per la predisposizione della relazione sulla gestione della ViViBanca S.p.A. al 31 dicembre 2017, inclusa la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio della ViViBanca S.p.A. al 31 dicembre 2017 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione sopra richiamata è coerente con il bilancio d'esercizio della ViViBanca S.p.A. al 31 dicembre 2017 ed è redatta in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Torino, 13 aprile 2018

BDO Italia S.p.A.

Riccardo Vogliotti

Riccardo Vogliotti
(Socio)