nexi payments

2017 Report and Financial Statements

CONTENTS

Together with our partner banks, **we work every day for millions of customers and businesses.** We work to make **every payment digital**, because it is simpler, safer and more practical for everyone.

Letter from the Chairman and the Chief Executive Officer

2017 was an intense year for the Nexi Group, in which the transformation process launched in 2016 continued;

in February, the 2017/2021 Business Plan of the Group was approved, which has the strategic objective of increasingly becoming the reference company for the evolution of the country towards digital payments, achieving a significant growth in profitability and contributing positively to the development of the country.

The board of directors and the new management team worked with determination to improve the organizational efficiency of the Group, directing a greater focus on the structures, improving customer orientation and improving the effectiveness of the decision-making processes.

In November, Nexi was created from the CartaSi and ICBPI experience; therefore, an important rebranding project was completed, aimed at renewing the historical brand CartaSi, which had by now little connotations to support the ongoing evolution of the activities. The project led to the change of the corporate name CartaSi to "Nexi Payments", more responsive to the present and future plans and activities, and more consistent with the current positioning of the Company in the digital payment market. The new brand, which wants to convey the projection towards the future and the proximity to our clients, was launched on 10 November 2017 with a series of events involving institutional representatives, partner banks and commercial stakeholders.

As part of the Group's growth and development strategy, also externally in the e-money market, important acquisitions were completed, some of which were already launched in the previous year.

The acquisition of the business units relating to the merchant acquiring activities of Banca Monte dei Paschi di Siena and Deutsche Bank Italia was therefore initiated.

At the Group level, the 100% acquisition of Bassilichi S.p.A., the parent company of the Bassilichi Group, specialized in the area of payments and services for the business, was then completed.

These transactions were carried out in a context of greater dynamism of the Italian economy, which saw a 1.5% GDP growth.

The payments system remains dominated by cash, thus offering further development opportunities, but the digital payments sector is going through a phase of expansion, characterized by growth in all product segments.

Nexi Payments intends to drive this growth by supporting the banking system in the payment innovation process through important investments in technology so that banks can be increasingly competitive even in the digitalisation sector, obtaining benefits in terms of innovation and customer relations.

This year, several new activities have already been carried out that go precisely in this direction. In November 2017, an instant bank transfer was launched called Instant Payment, which allows funds to be transferred in less than 10 seconds. In the micropayment sector, an initiative was launched that will eliminate, in 2018, commissions for transactions of less than Euro 10. A new international debt product has been released on the market, the first CVM campaigns have been launched with the banks, the prepaid card portfolio has been expanded and the new black contactless aluminum credit card has been launched, dedicated to a specific customer segment.

In the merchant services sector, the new app has been launched that allows merchants full control of their collections as well as a comparison of the business trend towards their respective competitors.

The challenge is to grow, through continuous commitment to generate positive change that everyone can benefit from, promoting initiatives and simple and innovative solutions that are able to simplify the life of citizens, encourage business development, improve the efficiency of public administration and support, therefore, the growth of the country system and in general of the society in which we live and of which Nexi Payment feels to be a responsible player.

As for the economic results, the 2017 financial year closed with an EBITDA of € 229.407 million compared to € 168.334 million in 2016, with a contribution of € 26.277 million associated with new acquisitions. Pre-tax profit, equal to € 122.988 million, is lower than in the previous year (-68.7%) which included the extraordinary proceeds related to the sale of Visa Europe membership to Visa Inc. The result for the period is € 83.425 million euros against € 329.909 million at 31 December 2016 (-74.7%).

The growth prospects for 2018 remain favourable thanks to the current economic scenario which confirms a strengthening of the signs of recovery and a return of confidence to pre-recession levels.

We are working hard and energetically to boost the 2017-2021 Business Plan, evaluating all the opportunities that the market offers, aware of the importance of the challenges that await us but cognizant of our potential and ability to operate in the interest of the system, our clients, our shareholders and our people.

Chairman
Marco Bassilichi

CEO
Paolo Bertoluzzo

Corporate positions

As at 15 March 2018

BOARD OF DIRECTORS	**Chairman**	Marco Bassilichi
	Deputy Chairman	Antonio Patuelli
	Deputy Chairman	Roberto Romanin Jacur
	CEO	Paolo Bertoluzzo
	Directors	Gabriele Beni Franco Bernabè Francesco Casiraghi Pierpio Cerfogli Simone Cucchetti Mario Fera Maurizio Mussi

BOARD OF STATUTORY AUDITORS	**Chairman**	Alessandro Grange
	Statutory auditors	Lorenzo Banfi Paolo Francesco Maria Lazzati
	Substitute auditors	Alberto Balestreri Marco Giuseppe Zanobio

Shareholders' Meeting Call

The Shareholders are convened to the ordinary Shareholders' Meeting in Milan, Corso Sempione no. 55, on **19 April 2017 at 3.00pm first call** and, if required, on 20 April 2018 at 8.00am second call, same place, in order to discuss the following

AGENDA

1. Financial statements as at 31 December 2017; Report on Operations of the Board of Directors; Reports of the Board of Statutory Auditors and the Auditing Company; related resolutions.

2. Appointment of the Board of Statutory Auditors and its Chairman. Determination of related fees; related resolutions.

3. Determination of the remuneration for the Board of Directors for financial year 2018.


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CREDIT
Banca

REPORTS AND FINANCIAL STATEMENTS

2017

Board of Directors' Report on operations for 2017

International Economy

In 2017, the international macroeconomic scenario was characterized by the strengthening of the global recovery and international trade, which brought the mature and emerging economies together.

China, in particular, strengthened the economic situation after the October congress, with the start of a reform process aimed, inter alia, at a greater opening of the financial markets to foreign players.

In Europe, growth was consolidated thanks to the ECB's interventions, the recovery of international trade and the reduction of political risk, even if there are still unknown factors linked to separatist pressures and upcoming elections.

Italian economy and market scenarios

In 2017, GDP growth of +1.5% was higher than expected, thanks to a favourable international environment, which had positive effects on exports and domestic demand. The acceleration of the recovery in the summer quarter, in particular, relied on the strengthening of domestic demand, while exports, after the suffering of 2016, benefited from the dynamics of international trade.

The growth prospects for 2018 are still positive, even if at rates below the European average and conditioned by the fears of political uncertainty that could derive from the imminent round of elections.

The payment system remains dominated by cash: in 2016, 95 per-capita transactions were carried out using non-cash instruments, compared to 215 in the Euro Area (Bank of Italy data based on ECB, BRI and Poste Italiane sources).

The payment card sector is going through a phase of development, characterized by the growth of all types of products, but which relies mainly on debt and prepaid products.

During 2016 (source: Bank of Italy), the POS enabled debit card market grew: both in terms of number of cards (+6.8%) and use (volumes +11.8%, transactions +13.6%). Prepaid products slowed the decisive expansion of recent years, in particular due to the number of cards in circulation (+3.7%), while volumes (18.5%) and transactions (+23.5%) remain robust). Credit cards increased as a number (+0.3%), but the active ones fell by 2.2%; use increased (volumes +5.9%, transactions +9.8%).

The Nexi estimates on the market for 2017 see international volumes (VISA + MasterCard) up by 12.6%, with a significant, growing contribution from prepaid and international debit cards, whose POS volumes increased by 24.2%; in particular, prepaid by 17.5%, international debt by 30.6%. Credit increased by 6.3%: the Classic segment by 6.2%, Commercial by 7.3%, Premium by 5.4%.

In regard to the revolving segment, an increase of +8.4% in volumes financed with revolving cards is reported in 2017 (source: Assofin).

Dear Shareholders,

2017 financial year closed with an EBITDA of Euro 229.407 million (+36.3% compared to 2016) and with a Net Profit Euro 83.4 million.

The most important actions that involved the Company in 2017 are as follows.

Evolution of the group

As part of the Group's growth and development strategy, also externally, in the e-money market, significant acquisitions were completed, some of which were announced in 2016.

In June, after receiving the necessary authorizations from the competent Supervisory Authorities, acquisitions of the business units relating to the merchant acquiring activities of Banca Monte dei Paschi di Siena and Deutsche Bank Italia were completed.

In July, the 100% acquisition of Bassilichi S.p.A. was completed by the Parent Company. Bassilichi S.p.A. is the parent company of the Bassilichi Group, an operator specialized in payments and services for the business, for which an agreement was signed at the end of 2016.

On 9 February 2017, the Parent Company Board of Directors approved the Group 2017/2021 Business Plan.

The ambition of this Plan is to make the Group the national leader in digital payments, reaching the scale necessary to invest in technology, services, skills with the aim of growing faster than the market, guiding the development of digital payments in Italy together with partner banks and, in particular, to pursue a significant increase in profitability.
This growth strategy focuses on payments and is based on four fundamental pillars:

1. Organic growth, on the various business units, through real product leadership and customer experience leadership together with partner banks, accelerating the shift from cash to digital payments;
2. Inorganic growth with targeted acquisitions in the payments sector to encourage scale growth and skills development more rapidly;
3. Strong investments in technological excellence, in skills, in the commercial area and in partnerships with banks;
4. Focus on efficiency and on the concentration of resources also to finance investments, significantly reducing costs in areas with lower growth impact and disposal of non-strategic activities.

The Plan sees a digital transformation of the Group and initiatives aimed at implementing innovative projects that allow, on the one hand, the offer of services designed to meet the most technologically advanced needs of the market and, on the other, to identify the best investment opportunities both in already established companies and in start-ups.
The key objectives of the Plan include the revision of the Group's corporate structure to make the legal structure of the individual components consistent with the nature of the business actually performed.
To this end, on 16 October 2017, the Board of Directors initially approved the overall and general framework of a corporate reorganization project of the banking group controlled by Nexi S.p.A. and the other subsidiaries of Mercury UK HoldCo Ltd aimed at separating, within the group, the technological and digital payments activities from those connected to the banking license, eliminating the existing competitive disadvantages with respect to competitors and increasing overall efficiency.

The reorganization therefore sees the creation of:

- Nexi Payments (Imel), National champion of digital payments:
  - focused exclusively on its core business and on the development of related technology;
  - with a flexible corporate structure able to support additional investments (e.g. IT and payment infrastructure) and future M&A activities;
  - with better access to the capital market thanks to the lower risk perceived by them for the activities related to digital payments compared to regulated banking activities.
- Nexi (bank), with a simplified organizational structure and a greater focus on banking services such as:
  - Securities Services;
  - "Settlement" to be offered through a joint commercial offer between Nexi and Nexi Payments.

At the start of 2018, the Boards of Directors of Nexi and Nexi Payments definitively approved the project that was submitted to the competent Supervisory Authorities for the necessary authorizations.

As part of the Group transformation process, a rebranding project was launched, involving both the Parent Company and CartaSi, motivated by the need to renew the two brands with connotations more related to the past rather than the future and to instruments connected to digital payments.

The Parent Company Board of Directors has therefore undertaken a process of assessing the adequacy of the company name of the two companies with respect to the reference market, the outcome of which showed that the previous business names, excessively related to the past and, however, little known by the public to whom they addressed, were unsuitable to support the ongoing evolution of the activities.

In light of these results, a research phase for a new company name was launched, also verifying the appreciation of the potential names with consumers and merchants.

On 27 July 2017, the Company Board of Directors, having acknowledged the analysis carried out on the adequacy of the name and deemed it appropriate to update the brand to the Group's present and future plans and activities, resolved to change the name of CartaSi to "Nexi Payments S.p.A.", while that of ICBPI was changed to "Nexi S.p.A." as it is more consistent with the current positioning of the companies in the digital payments market.

On 25 October 2017, the Shareholders' Meetings of ICBPI and CartaSi, extraordinary meeting, therefore resolved to change their respective company names with effect from 10 November 2017, consequently amending the Articles of Associations.

On the occasion of the launch of the new brand, a series of events were organized in Milan and Rome, attended by institutional representatives, partner banks and commercial stakeholders. Various activities were launched to spread the new brand across the press and digital media.

Governance and control structures

On 20 April 2017, the Shareholders' Meeting resolved to appoint Mr. Paolo Bertoluzzo and Mr. Mario Fera as members of the Board of Directors until the approval of the financial statements for the year ending 31 December 2018.

On 27 July 2018, the Company Board of Directors, having acknowledged the resignation submitted by director Luca Bassi, with effect from 27 July 2017, resolved to appoint Mr. Marco Bassilichi by co-optation.

On the same date, the Board of Directors, having acknowledged the decision of Chairman Franco Bernabè, taken in agreement with the Parent Company, to resign, with effect from the end of the meeting, from the position of Chairman of the Board of Directors of CartaSi S.p.A., maintaining the position as a board member, resolved to appoint Mr. Marco Bassilichi as Chairman of the Board of Directors from the end of the meeting until the end of the mandate.

On 25 October 2017, the Shareholders' Meeting, in an extraordinary session, resolved to change the company name to "Nexi Payments S.p.A." with effect from 10 November 2017.

On the same date, the Shareholders' Meeting, in an ordinary session, resolved to confirm Mr. Marco Bassilichi as Board Member and Chairman of the Board of Directors, until the approval of the financial statements as of 31 December 2018.

Shareholders' meeting

In 2017, the Company's Shareholders' Meeting was held twice:

- on April 20, in an ordinary session, it resolved the approval of the 2016 financial statements, the appointment of two members of the Board of Directors, and the determination of the remuneration due to the members of the Board of Directors for the 2017 financial year;
- on 25 October, in an extraordinary session, it resolved to change the company name to "Nexi Payments S.p.A." with effect from 10 November 2017 and, in the ordinary session, resolved to confirm Mr. Marco Bassilichi as director and Chairman of the Board of Directors, until the approval of the financial statements as at 31 December 2018.

Board of Directors

The Board of Directors, in exercising the conferred powers of ordinary and extraordinary administration, met ten times during 2017.

The Board, whose mandate will expire with the approval of the Financial Statements for 2018, is composed of eleven members.

Board of Statutory Auditors

The Board of Statutory Auditors, whose mandate will expire with the approval of the Financial Statements for 2017, is composed of five members (three statutory and two substitute).

As part of its control over the administration and management of the company, it met twenty times in 2017.

Supervisory Body pursuant to leg. Decree 231/2001

The Board of Statutory Auditors met five times as a Supervisory Body in 2017.

Organisational structure

In reference to the guidelines of the 2017-2021 Business Plan, the activities to achieve the organizational efficiency necessary to finance investments and achieve the strategic objective to become the national leader of digital payments were completed in 2017, in continuity with the transformation process already started in 2016, making a positive contribution to the development of Italy.

In particular, with the changes to the Group organizational structure completed in May and November 2017, the implementation of the Group organizational model was completed, concentrating on a greater focus of the structures, improving customer orientation and simplifying the decision-making process.

The main changes to the organizational structure of Nexi Payments, in addition to the aforementioned changes to the structure of the CFO, include:

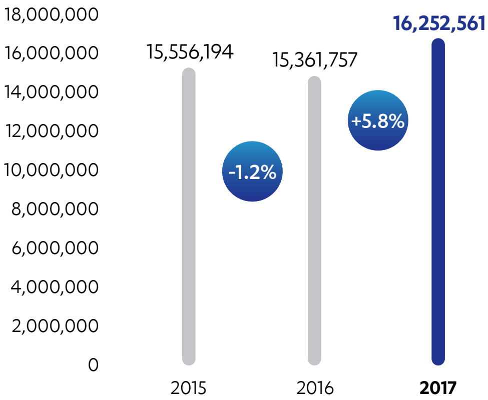
- the centralization, in the Parent Company, of the activities previously held by the CFO of Nexi Payments;
- la costituzione nella Merchant Services BU del presidio delle attività relative all'E-Commerce, e di un'unità di staff dedicata allo sviluppo delle partnership nel segmento Electronic Cash Register; lo scorporo delle attività di Marketing e di Customer Value Management per consentire una maggiore focalizzazione sugli aspetti di competenza;
- the creation of the ATM BU, an integral part of the Payments & ATM BU located in the Parent Company and coordinated by it, geared to the needs of Banking customers in relation to ATMs;
- the centralization of the Payments Services bank network and the Nexi Tender Office in the Commercial Department. The Department also revised its organizational model with a view to streamlining network support structures and further strengthening the monitoring of partnerships with banks;
- the review of the internal organization of the Operations Department in order to support the review of some key processes with a view to improving production efficiency and to better adhere to the organizational model of the Business Units. In particular, two vertical operational units were created, dedicated respectively to the provision of specific services for merchants (Operations Merchant Services) and specific services for cardholders (Operations Issuing);
- within the Business Development Department, in order to better adhere to the organizational model of the Business Units, the Mobile Products organizational unit was split into two units dedicated respectively to the Issuing and Merchant Services business lines.

As part of the Quality Management System, the audits on the confirmation of the ISO9001 Certification for Nexi Payments were positive.

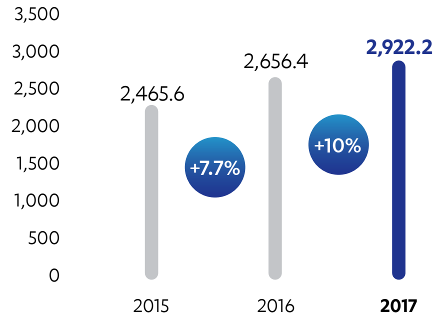
Business Performance

The 2017 business performance led to a total management of approximately 16.2 million cards and over 2.9 billion transactions.

TOTAL STOCK OF CARDS MANAGED



TOTAL NUMBER OF TRANSACTIONS MANAGED
(million)



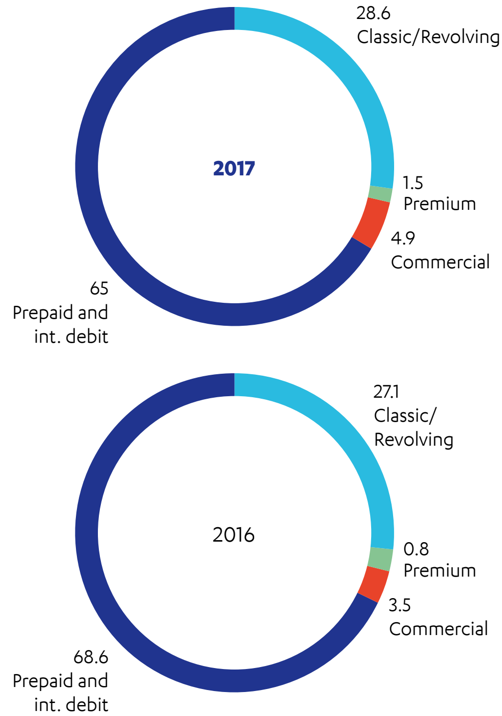
The activities are analysed below in relation to the three main business lines managed by the company:

- Activities of Issuing and Acquiring Directly Licensed and on behalf of Banks
- Servicing activities
- POS and ATM terminal management activities.

Activities of Issuing and Acquiring Directly Licensed and on behalf Banks

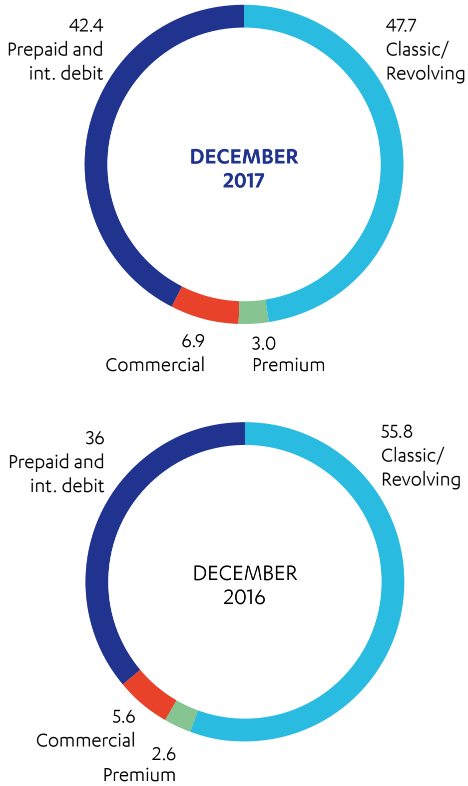
- Card range increased compared to 2016 (+8.8%), totalling almost 9.6 million cards at end of the period, thanks to the increase of the stock of prepaid cards during the year;
- Breakdown by product of the new issues of the year (2 million cards) reflects a general increase in all products compared to the previous period.

NEW ISSUES %



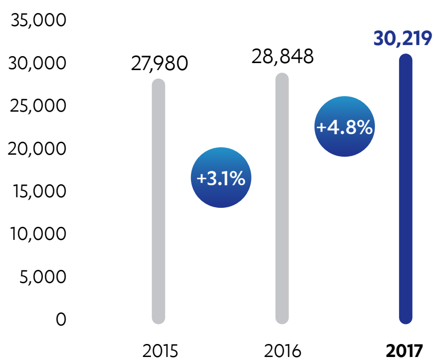
- Breakdown by product of the cards in circulation at the end of the year shows an increase in prepaid products, albeit with a percentage weight increasing in the Classic/Revolving cards (28.6%).

STOCK %



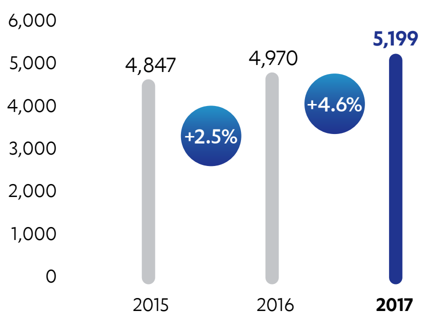
- Total spending of the cardholders amounted to about Euro 30.2 billion and reported, compared to 2016, a growth of 4.8%, with positive performance both in the Direct Licensed model (+3.3%) and the on behalf of Banks model (+8.9%).

TOTAL SPEND
(€ million)



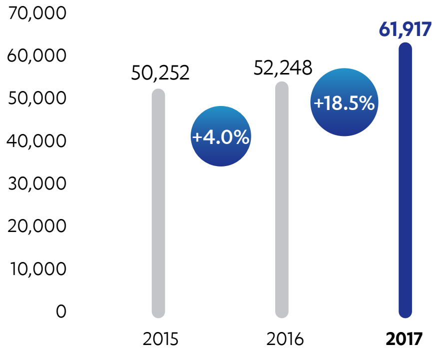
- Average use of Directly Licensed credit cards, which remains among the highest in the market, increased (+4.6%), also as a result of promotions and spending stimulation implemented during 2017.

CREDIT CARD AVERAGE SPEND
(€)



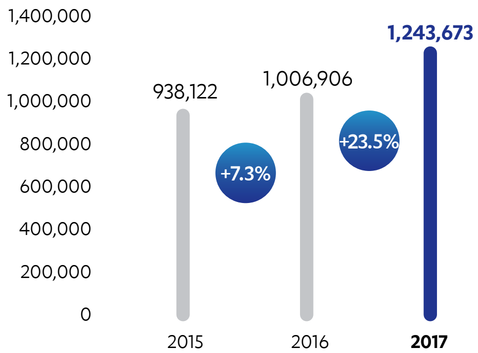
- Acquiring merchant volumes amounted to around € 61.9 billion, up (+18.5%) compared to 2016; growth also influenced by the acquisition of the Acquiring business units of Monte dei Paschi di Siena and Deutsche Bank for the management of incremental Pagobancomat volumes. Net of the inorganic increase, growth compared to 2016 is +9.9%.

MERCHANT VOLUMES
(€ million)



- Total number of the transactions managed for Issuing and Acquiring shows an increase of 23.5%.

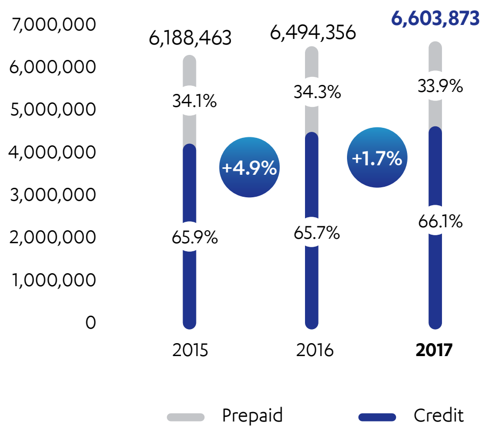
NUMBER OF TRANSACTIONS MANAGED
(million)



Servicing Activity

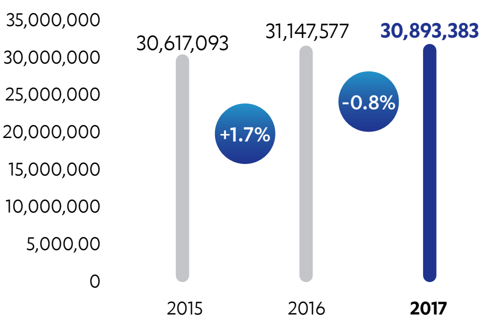
- Stock of cards managed on behalf of third party licensees totalled approximately 6.6 million cards, up 1.7%, performance driven by the credit card component (+2.4%).

CREDIT/PREPAID STOCK
(N° of Cards)



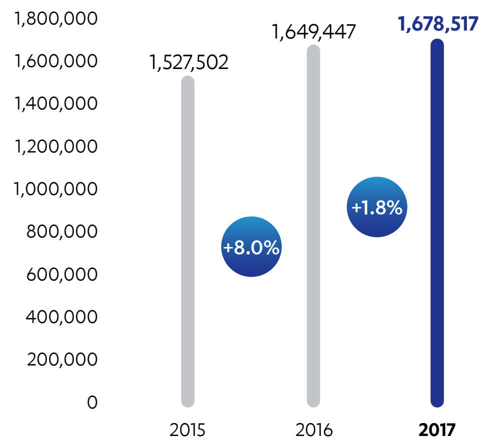
- Number of functions linked to national debit cards (30.9 million) is down compared to that of 2016 (-0.8%), even with the stock of debit cards (11.7 million) slightly up (+0.4%).

NATIONAL DEBIT STOCK
(N° of functions)



- Total number of transactions managed (1,679 million) is up compared to last year (+1.8%).

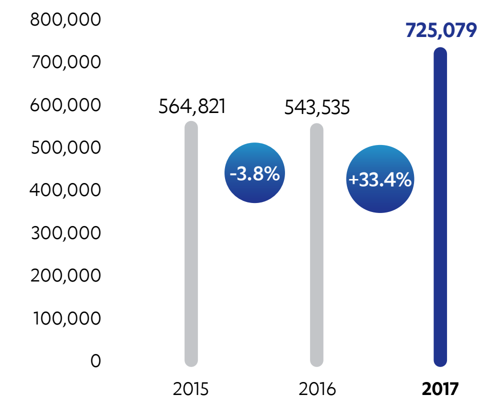
NUMBER OF TRANSACTIONS MANAGED
(million)



Terminal management activity

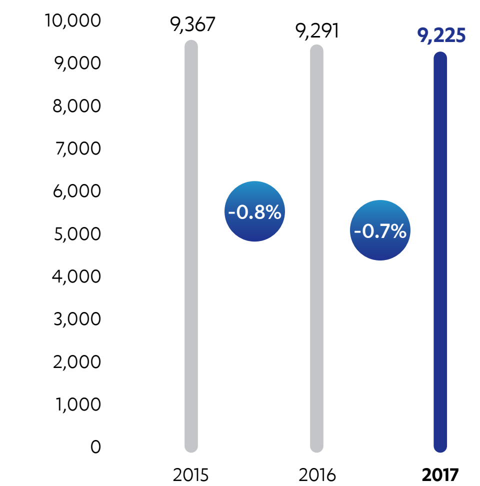
- Pos stock managed (725 thousand units), composed of e-commerce terminals (over 20 thousand units) and physical terminals (about 705 thousand units), has significantly increased due to the acquisitions, during the year, of the Merchant service business units of Banca Monte dei Paschi di Siena and Deutsche Bank (+33.4%).

NUMBER OF POS (PHISICAL AND VIRTUAL) MANAGED



- Managed ATM terminals amounted to 9.2 thousand units and fell compared to last year (-0.7%) as a result of the rationalization of the branch network by some client banking groups.

NUMBER OF ATM MANAGED



Income statement

The results as at 31 December 2017 are shown starting from the results of the P&L account reported below.
The income statement as at 31 December 2017 reported an EBITDA of € 229.407 million (+36.3% compared to 2016) and a profit before tax of € 122.988 million, lower than the previous year (-68.7%) that included the non-recurring gain from the sale of Visa Europe membership to Visa Inc. The operating result amounted to € 83.425 million against € 329.909 million of the previous year (-74.7%).

(YTD Dec, 31 €/000)	YEAR 2017	YEAR 2016	VARIATION %
Net fee and commission income	**552,847**	470,070	17.6%
Net interest income	**- 12,420**	- 8,009	55.1%
Net trading/hedging income	**- 553**	- 560	- 1.4%
Dividends from equity investments and AFS	**248**	108	130.7%
Operating revenue	**540,123**	**461,608**	**17.0%**
Payroll and related costs	**- 44,006**	- 38,199	15.2%
Production costs	**- 103,438**	- 93,817	10.3%
ICT costs	**- 123,534**	- 118,421	4.3%
General expenses	**- 37,476**	- 32,842	14.1%
Administrative expenses	**- 308,453**	**- 283,278**	**8.9%**
Other net operating expenses/income	**5,040**	855	489.2%
Net accruals for risk and charge	**- 7,302**	- 10,850	- 32.7%
Operating costs (net of DA)	**- 310,715**	**- 293,273**	**5.9%**
EBITDA	**229,407**	**168,335**	**36.3%**
Depreciation and amortization	**- 35,120**	- 24,264	44.7%
Operating profit	**194,287**	**144,071**	**34.9%**
Depr.&Amort. (customer contract)	**- 839**	- 839	0.0%
Non recurring/extraordinary items	**- 70,460**	249,089	- 128.3%
Pre-tax profit	**122,988**	**392,321**	**- 68.7%**
Income taxes	**- 39,563**	- 62,412	- 36.6%
Net profit	**83,425**	**329,909**	**- 74.7%**

In particular, compared to 2016, the following is reported:

- Commissions and net income from services amounted to € 552.847 million, compared to € 470.070 million in 2016 (+ 17.6%)
- Negative net interest income, stood at € -12.420 million, compared to € -8.009 million (55.1%) in 2016
- Income from securities and foreign exchange € -0.533 million, compared to € -0.560 million in 2016 (-1.4%)
- Dividends and other income amounted to € 0.248 million against € 0.108 million of 2016 (+130.7%).

Total operating revenues amounted to € 540.123 million compared to € 461.608 million in 2016, an increase of 17%.

Administrative expenses totalled € 308.453 million against € 283.278 million in 2016, an increase of 8.9%, and are divided as follows:

- Personnel expenses amounted to € 44.006 million against 38.199 million of 2016 (+15.2%);
- Production costs amounted to € 103.438 million, compared with € 93.817 million in 2016 (+10.3%);
- ICT expenditure amounted to € 123.534 million, compared with € 118.421 million in 2016 (+4.3%);
- General expenses amounted to € 37.476 million, compared with € 32.842 million in 2016 (+14.1%);
- Other income and expenses amounted € 5.040 million, against € 0.855 million in 2016 (+489.2%);
- Operating provisions amounted to € 7.302 million compared with € 10.850 million in 2016 (-32.7%).

The total of the items listed above resulted in Operating Costs of € 310.715 million, compared with € 293.273 million in 2016, an increase of 5.9%.

Ordinary depreciation amounted to € 35.120 million against € 24.264 million in 2016 (+44.7%).

The operating result of € 194.287 million is added to other components amounting to € 71.299 million, as follows:

- Customer contract amortization of € 0.839 million;
- Registration charges related to the business acquired of € 16.984 million;
- Transformation program costs of € 19.266 million;
- Restructuring costs of € 25.361 million;
- Rebranding costs of € 4.485 million;
- Other costs of € 4.363 million.

Gross profit for the period amounted to € 122.988 million, which net of taxes for the period of € 39.563 million resulted in a Net Profit of € 83.425 million.

Balance Sheet

The Balance Sheet data highlighted as at 31 December 2017 are compared with the final reported data of the previous year. The actual figures as at 31 December 2017 includes M&A incurred in the first half of the financial year. In particular Nexi Payments acquired the acquiring business of Deutsche Bank as at 31 March 2017 and the merchant book of BMPS as at 30 June 2017.

ASSETS

(€/000)	31.12.2017	31.12.2016	DELTA %
Available-for-sale financial assets	**83.2**	47.6	74.8%
Receivables	**2,572.2**	2,391.8	7.5%
Tangible assets	**83.2**	84.2	- 1.2%
Intangible assets	**603.2**	25.0	2,312.0%
Tax assets	**39.8**	20.4	95.5%
Other assets	**250.9**	222.9	12.6%
Total assets	**3,632.5**	**2,791.9**	**-**

LIABILITIES

(€/000)	31.12.2017	31.12.2016	DELTA %
Payables	**2,298.5**	1.618.5	42.0%
Tax liabilities	**16.0**	20.4	- 21.7%
Other liabilities	**504.0**	360.1	40.0%
Employee severance indemnities	**6.0**	6.5	- 7.6%
Provisions for risks and charges	**13.0**	13.6	- 4.0%
Shareholder's equity	**711.6**	442.9	60.7%
Profit (Loss)	**83.4**	329.9	- 74.7%
Total shareholder's equity	**795.0**	**772.8**	**-**
Total liabilities and shareholders' equity	**3,632.5**	**2,791.9**	**-**

The equity value as at 31 December 2017 shows total assets of € 3,632.5 million against € 2,791.9 million in 2016.

In particular:

- Available-for-sale financial assets amounted to € 83.2 million, compared to € 47.6 million in 2016, increased due to the revaluation of Visa preferred shares following the sale of the membership of Visa Europe.;
- Receivables amounted to € 2,572.2 million, against € 2,391.8 million of 2016;
- Tangible assets amounted to € 83.2 million against € 84.2 million in 2016;
- Intangible assets amounted to € 603.2 million, € 25.0 million in 2016; the increase is mainly due to the goodwill recognized as a result of the acquisition of merchant books from Deutsche Bank and BMPS;
- Tax assets amounted to € 39.8 million (of which deferred tax assets € 21.7 million) against € 20.4 million in 2016;
- Other assets amounted to € 250.9 million, against € 222.9 million of 2016.

As for the liability items:

- Liabilities totalled € 2,298,5 million, compared with € 1,618.5 million of 2016, and the increase is due to higher funding needs;
- Deferred tax liabilities amounted to € 16.0 million against € 20.4 million in 2016;
- Other liabilities amounted to € 504.0 million against € 360.1 million in 2016. The increase was primarily due to the Funds available on transitory accounts;
- Severance indemnities amounted to € 6.0 million against € 6.5 million in 2016;
- Provisions totalled € 13.0 million against € 13.6 million in 2016.

Equity amounted to € 795.0 million against € 772.8 million of 2016; the difference refers to the dividends paid in 2017 (€ 88.2 million) and the increase of valuation reserve due to the valuation of AFS portfolio (€ 22.7 million) and the profit for the period (€ 83.4 million).

Relations with banks and commercial initiatives

The Italian banking sector was affected by an acceleration of the consolidation process during 2017, in a context characterized by continuous changes in the competitive environment and by the persistence of certain insolvency risks for some intermediaries.

The number of banking groups operating in our country has been reduced and the concentration of the market has increased. The level of competition has remained high with particularly lively competition on all segments of the banking activity: operating margins are becoming thinner and financial, technological and regulatory innovation - key levers for competition - require more and more investment.

The payments market is characterized by an increase in levels of investment in technology, with increasingly shorter innovation cycles, an evolution in regulation with significant impacts on margins, mandatory adjustments required by international networks and an increase in competition with entry of non-traditional players on the market operating on a global scale.

The ongoing trends require banks to sustain high levels of investment in technology and increasingly qualified human resources, while offering windows for the return of increasingly narrow investments.

The payments market will be increasingly characterized by specialized players, with significant economies of scale, indispensable to sustain the huge investments required; banks should be more focused on enhancing the relationship with their customers, freeing resources for greater focus on core banking and delivering *best of breed* solutions in line with the needs of end customers.

In this context, Nexi Payments stands as a Partner of Italian Banks in the ambitious path of innovation of digital payments in Italy, with the aim of achieving a decisive acceleration in the diffusion of payment systems to achieve levels of penetration and use typical of large European countries. A strategy of "proximity" to the banking partner to maximize the opportunities to increase the profitability of the E-money market, to extract value over the entire range of offer in the issuing segment and to introduce the segmentation logic of pricing and "value proposition" in the acquiring segment.

An integrated program of involvement initiatives was launched in 2017 with the objective of strengthening the value of the Partnership with Banks, aimed at ensuring continuous updating of the commercial strategy of the offer and presentation of the main developments in terms of technological innovation and market. The meetings were also occasions to discuss the main challenges and strategic opportunities of the market and gather ideas and suggestions on possible paths to be taken to develop the digital payment market in Italy.

During the month of November, the annual convention "What's Next?" dedicated to the Partner Banks was also organized, an opportunity for the presentation of the Nexi Payments commercial strategy and for sharing the news of the offer in all business areas.

In order to make the commercial proposition more effective and respond more promptly to the needs of the partner banks, Nexi Payments in 2017, as anticipated in the section dedicated to the Organizational Structure, changed the organization of the Commercial Department, strongly strengthening the front line with the addition of new skills and new managerial profiles for the management of the commercial partnership with the Banks and the Public Administration.

Furthermore, with the aim of ensuring timely monitoring of the delivery activities, the activities of the Commercial Operations and Service Management have been strengthened, with the assignment of specific responsibilities and clear accountability to manage the execution of client projects.

Finally, a dedicated structure was set up for advisory and training activities on the Network of Partner Banks through a specialized team that, directly involved in the territory, supports the Bank's commercial supply chain in the implementation of commercial business development initiatives.

In reference to the activities of monitoring and commercial stimulation, in collaboration with the Banks, commercial activities were carried out during the year aimed at increasing the dissemination and use of payment instruments.

In particular, the following commercial activities were carried out:

- Incentive plans targeted at the growth of the range of cards, the support of the issue of international debit, premium and commercial products, and the growth of the POS portfolio;
- Promotional activities aimed at further stimulating the networks of partner banks in the growth of the transaction and in customer acquisition / retention;
- "B2C" promotional activities dedicated to a targeted selection of partner banks, aimed at encouraging credit card issue and at the same time the use of the cards and the membership of the new cardholders to loyalty and digital services;
- Relaunch of the most advanced version of prepaid cards, equipped with new features that characterize the product at the top of the market;
- Expansion of acceptance networks by merchants;
- Participation in calls for tender issued by major banks for the management of e-money in the field of issuing, acquiring and management of POS terminals;
- Support activities, through work sessions aimed at participating in Nexi Payments initiatives and in network training sessions, aimed at sharing the value of the e-money offer.

During the year, the boost to commercialization of the new licensed international debt product continued, which represents a further opportunity for growth for the partner banks in the field of electronic payments, making it possible to offer its customers an authorized payment instrument for use on all channels without any credit risk.

The international debit card can also meet the needs of banking customers also in the e-commerce sector: growth forecasts see further acceleration in the use of the product which will generate a strong growth in volumes over the next few years.

In 2017, Nexi Payments also relaunched the commercial offering for issuing and acquiring activities for third party licensees, extending the offer contents of the licensed model and the offer of innovative products to clients under servicing and the management of POS and ATM terminals.

Within the scope of the services for the Public Administration, the commercial activities towards the Partner Banks intensified during the period to promote digital payments within the treasury services that are proposed to Public Bodies.

Starting from the month of October, the range of services has been enriched with a new service able to manage the revenues deriving from transactions carried out through physical POS via the pagoPA® system, giving the possibility to the public bodies to open to the Node of Payments, also their own physical acceptance network. The service is certified by the Agency for Digital Italy.

The Company has also expanded its business proposition with Apple Pay features, a new payment system for cardholders in possession of Apple products, implemented in collaboration with some partner banks.

Apple Pay can be used with iPhone, Apple Watch and Mac, so both on the move and from the desk at home. The digital payment system uses NFC technology and works in a very simple way: just place the device on a POS designed for contactless credit cards and debit cards. The transactions are finalized with the Touch ID, that is the recognition of fingerprints or with the security code, strictly personal access keys that make Apple Pay useless for anyone in case the device is lost.

In the second half of the year the commercial offer was enriched with the Nexi Business App, an innovative tool that enhances and completes the products and services that the Partner Banks can offer to their merchants. The App provides merchants with information on transactions, daily and monthly views on their performance, periodic updates on the progress of their business, in order to be able to control costs and have immediate information.

The information view is aggregated and modular (from the "company" level to the single point of sale), data visualization is optimized for mobile use and push notifications allow merchants to receive daily and monthly summaries of their sales.

Multichannel and innovation

As part of the company's digital offering strategy, a scouting activity was carried out to identify and prioritize new business opportunities, linked to digital innovation, followed by a series of actions aimed at the implementation and launch of new services.

In particular, scouting activities focused on:

- Exploration of new service opportunities and products to be made available to banks, following the promotion and launch of the NodoPA by AgID and the Government Digital Transformation Team.
- Identification of the impacts deriving from regulatory developments in the PSD2 framework and assessment of the impact on the Group's strategic positioning.
- Evaluation of new partnership opportunities in the market through the analysis and evaluation of the main fintechs.

In parallel, a structural review of digital channels was launched in 2017, in addition to the rebranding of all the web and mobile properties of CartaSi/Nexi, in specific:

- Revamp of the public site (www.nexi.it).
- Complete revision of the Cardholder Portals.
- Development of digital services dedicated to cardholders, including spending control, installation and #iosi.
- Launch of a self-onboarding channel for eCommerce aimed at merchants and developers (ecommerce.nexi.it)
- Development of a new web and mobile application for merchants (Nexi Business), which allows to have an overview and detail on transactions and to compare business trends to that of other merchants.
- Graphic revision of applications such as "Lead the change" and "Instant Payment" in addition to the definition and study of the application for 2018 Nexi Pay cardholders.

The launch of the new Apple Pay mobile payment service was also created, integrated with the Mobile APP of the company already distributed to over 2 million customers and completely renewed in the user experience and in the HCE payment functions (touch ID, photo enrollment, prelogin notification) that have generated a substantial increase in the use and satisfaction of digital services in the channel review initiatives.

Leadership in cost and service

2017 saw the operational structures engaged in the usual execution and supervision of ordinary activities, albeit in a context of significant organizational and business transformation.

In accordance with the strategic guidelines and the company objectives, the specialist contributions necessary to support and finalize the business acquisition and evolution initiatives, as well as the regulatory adjustments in the sector, were also ensured, including:

- Acquisition of MPS and Deutsche Bank Acquiring Book, and simultaneous launch of the new Referral model, ensuring continuity of service and minimizing the impact on operating structures;
- New e-commerce offer (WBOB), through the introduction of the digital merchant onboarding process to support the user experience of the customer and internal operational efficiency;
- Migration of the ABI Cless new technology card range, and consequent launch of the software certifications in the POS area, in order to enable their acceptance in compliance with banking regulations;
- Card range extension to dynamic 3DSecure, with MPS and UBI portfolios;
- Launch of Passive Authentication to improve the user experience of the cardholder, ensuring compliance with the security standards required by law;
- Start of the second phase of POS migration from "PSTN to Ethernet", to the advantage of better technology to support the business.

Full attention was paid to achieve the objectives to improve the effectiveness and efficiency of the processes, as well as the introduction of appropriate corrections where possible areas for improvement were identified.

In this context, some initiatives included:

- *Issuing and Acquiring Account Statement Hardening*, aimed at strengthening the production process with the introduction of additional controls and a monitoring system;
- Completion of the acquisition of authorization flows in Horus, the Nexi fraud prevention system;
- ACS (Access Control Server) Vendor Certification, for the VISA network, in order to guarantee the extension of the service also for the Servicing Banks, with a view to greater operational control and the achievement of cost savings;
- Identification, in the Dispute, of alternative solutions to the adoption of a new management system, including *"quick win"* to be implemented on existing applications, as well as a plan of VCR interventions consistent with the new dispute management process defined by Visa.

In addition, in-depth analysis of specific areas (Fraud, Supply Chain Issuing, Field Service Merchant Services, Robotics, Customer Centricity, etc.) was launched, aimed at carrying out a significant transformation process of the current operations, enhancing the customer's centrality and guaranteeing high standards of operational excellence, which will see the delivery during 2018.

The monitoring of the main service indicators and periodic reporting of SLAs and penalties continued, in compliance with existing contractual relations and with the objective of carrying out actions to minimize the impact deriving from the increase in volumes and the start-up of new service areas.

In this context, a significant activity of review, integration and identification of new operational KPIs was launched, which, together with the periodic observation of the performance of the main cost drivers - running and planning - can guarantee and strengthen the supervision and monitoring of all services.

As regards Issuing, knowing how to involve the "paying" Client is essential in order to educate the Client on using digital payment tools, making every purchase a useful and rewarding experience. A correct engagement increases the Client value and creates loyalty. This refers to Customer Value Management (CVM) and, in 2017, the "CVM as a service" service for Partner Banks was designed and launched, based on:

- Engagement Program #iosi: a new generation engagement program that engages all Clients in useful services and rewards based on their profile and behaviour.

- Campaign as a service: a collection of campaigns available to partner banks to enhance Clients in each phase of the life cycle, from acquisition to retention, available on demand with different levels of service and customization.

This service is offered to Banks as the differentiating and distinctive value of the "licensing" and "value partnership" models.
The engagement program #iosi (nexi.it/privati/iosi) allows the Partner Banks to offer their Clients a free engagement program with added value services, discounts and special offers according to their profile, portfolio, behaviour and Client value, stimulating interaction with the Bank, the discovery and use of payment instruments:

- #iocontrol: to monitor the purchases of the week and month made with the Nexi card;
- #ioprotect: to protect travel, purchases and withdrawals made with the Nexi card thanks to a policy with increased limits and free emergency services;
- #iospeciale: to access reserved discounts and exclusive offers selected from the best brands and products based on the passions stated by the Client;
- #iovinco: to win every day simply by paying with the Nexi card.

The most demanding and high-value Clients can access premium paid services.

- #iosiServizi: a dedicated assistant who helps the Client to organize the engagements and free time with a travel agency, a ticketing service and a smart memo;
- #iosiCollection: a point collecting that rewards all purchases made with the Nexi card.

The program launched in 2017 constitutes a platform for continuous engagement of the end client and will be expanded in 2018 in collaboration with the partner banks. Some results of the program:

- 3.4 million customers engaged in the program;
- 10 euros/year for the value of free services, 15 euros/year for the current premium add-on;
- 6.4 average month interactions useful for Clients engaged through the digital channels of Nexi and/or the Partner Bank.

The Campaign as a Service helps the Partner Banks to manage the end-user's life cycle in a profiled way, through the creation of automatic, multichannel and multistep campaigns, based on analytics, able to bring the right proposal to the individual Client, at the right time, through the right channel.

It is a collection of tested, modular and ready-to-use campaigns available to the Partner Banks to implement Customer Value Management initiatives with the support of a team and dedicated tools at every stage, from the collection of requirements, to the definition of the strategy and mechanics, targeting, end-to-end execution, analysis of results:

- Analysis and targeting: Creation of the business case, the KPIs and the campaign target with basic and advanced analytical methods;
- Mechanics and offer: Design of the value proposition and the campaign mechanics;
- Contact Flow: Drawing the contact flow and the mix of channels with modular solutions;
- Automation: Execution and monitoring through marketing automation systems.

During 2017 the first offer was structured with the identification of 15 Initiatives and the execution of 5 pilot activities with the same number of Banks.

It was essential for both areas to start the development of a marketing automation system able to use the data and interact with the End Client through the available channels, in particular the Nexi Pay App and the Cardholder Portal.

Communication and brand management

2017 was a particularly important year on the brand and communication front. The new positioning and the new identity of the Company were defined, and an important communication campaign has been carried out to announce the news to the Partner Banks, clients and merchants.

The development of the positioning of the company and the Group required an in-depth strategy work to identify the elements able to best meet the needs of clients in terms of payments and to represent the strong drive for company innovation.

The new positioning was the origin of the search for a brand that could best represent the characteristics of proximity to clients and innovation. In this context, the CartaSi brand was not considered adequate with respect to strategic objectives, in light of the presence of the word "card (carta)" in opposition to digital and in consideration of a moderate brand value, as emerged from the market research on consumers, merchants, banks and people.

More than 500 alternative names were created, until the selection of the name Nexi, in order to better represent the sense of proximity to clients and projection to the future. Nexi was chosen as a commercial brand and as a backbone of the company name of Nexi S.p.A. (formerly ICBPI) and Nexi Payments for CartaSi.

The tag line "every day, every pay" was added to the Nexi brand to be able to strongly convey the commitment and ability to be used by clients, merchants and banks on every payment occasion, every day. The new brand was validated through market research on the main targets, to understand all aspects of strength or areas of weakness. Research has shown Nexi's strong positivity in transferring all the main concepts of positioning.

The change of brand led to the structuring of a communication plan divided into different media: from mailing and direct communication to banks, to events, sponsorships, advertising campaign. The birth of the new brand was the opportunity, also in terms of timing, not only to announce the new name but to present the transformation of the company and the Group all- round, in the first place in respect of the Partner Banks and end-clients and merchants.

In particular, various events were carried out with the Banks, such as roadshows, InnovAction meetings, annual convention and advisory boards, with the aim of sharing the strategic change of the positioning and the approach to the market, sharing the innovative ideas for the evolution of the offer and present the new payment solutions addressed to end-clients, merchants and companies.

The Group returned to advertising after a few years of absence. The campaign, together with direct communications for clients and merchants, has easily conveyed several messages: brand change, our commitment to the diffusion of digital payments in Italy, the new POS offer and the new apps for mobile payments and to offer analytics to merchants.

The launch of the Nexi brand also represented an important opportunity for a strong emotional engagement on the part of all employees. Numerous communication activities were carried out to them, to share the positioning strategy, but above all to actively involve them in the company's change. In fact, new company values were created from the positioning: building the future, living for customers, always being reliable, being simple and build together. The new values will be the backbone of internal transformation, starting from cross-functional initiatives such as customer centricity, performance management, internal communication initiatives.

Various interventions for the aesthetic and functional improvement of the offices were also undertaken with the aim of making the new brand identity tangible and immersive for both employees and partners, clients and suppliers that come to the offices.

Nexi Payments S.p.A. Purchasing Observatory

In 2017, the Nexi Payments Purchasing Observatory widened its scope of observation, from that of purchases to electronic payments. Alongside the analysis of the monthly trend in purchases and spending behaviour at times of the year with a higher seasonality, new insights of greater depth and specificity were realized, able to respond directly and in a more univocal way to the requests of the press, such as: online payments, Fitness & Wellness, Food at Home, PA payments.

Human resources

As regards human resources, the number of employees as at 31 December 2017 totalled 540 resources, compared to 532 of 31 December 2016.

	NEXI PAYMENTS					
	DIC-16		DIC-17		DELTA	
	HC	FTE	HC	FTE	HC	FTE
Managers	14	14.0	33	33.0	19	19
Middle Management	192	190.0	220	217.7	28	28
Permanent staff	326	302.9	287	266.5	-39	-36
Temporary staff	-	-	-	-	-	-
Total	**532**	**506.9**	**540**	**517.1**	**8**	**10.2**

In terms of **Training**, at the companies of the former ICBPI Group, for the year 2017, the Group Training Plan "Training to enhance roles and skills in the ICBPI Group" was finalized and reported, presented to the Banking and Insurance Fund in 2016 for funding.

Information relating to personnel and the environment

The training actions in 2017 responded to the organizational and process developments of our Group and focused, in particular, on these objectives:

- Timely retraining of resources that have changed roles following organizational changes;
- Update and consolidation of the distinctive and peculiar competencies of the Nexi Group;
- Compliance with the legal regulations typical of the activities of the bank and the intermediary and the related actions validated by the Compliance Department;
- Definition of the new 2018-2019 training model and anticipation of some innovations contained therein.

The retraining actions were carried out under coaching/on-the-job training, in particular in the Payments area, with a focus on specialization in the classroom, held by internal trainers.

The updating of skills, at the request of the various managers (so-called "On demand") has provided for both participation in inter-company courses and the organization of internal classrooms that involved, in particular, the areas affected by the release of new IT tools, the areas involved in rebranding and sales.

All compulsory training actions validated at the beginning of the year were completed. Part of the contents, where possible and in compliance with the regulations, have been updated and revised with the aim of optimizing the duration of the courses while maintaining the planned training objectives; in this way it was possible to make the originally planned commitment of 15.8% more efficient.

In 2017, the training activities involved a total of 540 resources for a total of 9,646.5 hours of training, of which 32% of compulsory training, 63% specialized training and 5% managerial training, with an average of about 2.5 man/days out of the total employees.

In regard to **Health and Safety**, a gap analysis was carried out for the Nexi Group in relation to the Health and Safety Management System (SGSL - Sistema di Gestione della Salute e della Sicurezza) in order to make the Group Organization, Management and Control Model compliant with UNI-INAIL.

Work on monitoring the quality of workplaces continued, such as the microclimate (temperature, humidity, ventilation and air quality) and lighting (natural and artificial light). Furthermore, the evaluation of work-related stress risk data continued with analysis of mental fatigue, monotony and repetitiveness in work processes. As required by the law, evacuation drills were carried out at each location.

Main risks

The main risks to which the Company is exposed are represented by operational risk and credit risk. The controls put in place to mitigate these risks are described in the specific section of the Explanatory Notes.

Also, in 2017, the activity carried out by the Risk Management Department was aimed at supporting Management in view of a prudent and effective management of the company business, while ensuring full compatibility with the risk governance process, through the definition and compliance with the risk tolerance defined in the Risk Appetite Framework.

In order to hedge the risk of a fall in the price and the exchange rate of the Visa C Class shares (which are convertible into Visa Series A Shares at a variable conversion factor according to the charges arising from the potential liabilities of the former Visa Europe, acquired by Visa Inc.) in the portfolio, a collar was signed on a number of shares that does not take into account the discount applied in the balance sheet, but which has a strike such that, from an economic point of view, the payoff of the derivative, in the event of a reduction of the Euro equivalent value of the Class A Shares below the book value, is equal to the reduction in the value of the security compared to the hedging target.

Business continuity

In relation to the prospects of the Company's development, no particular critical elements are noted, if not in relation to any adverse market fluctuations currently unforeseeable. In particular, at the moment, business continuity does not show any criticalities, as a positive evolution is expected in the credit and debit market that, even if closely associated to consumption, on the other hand presents a trend favourably influenced by the fact that these types of payment means conquer ever increasing market share, at the expense of cash use.

Lastly, the Company can rely on a large number of Client Banks with which the relationship has consolidated over time and strengthened by belonging to the Gruppo Nexi.

The Directors confirm the reasonable expectations that the Group will continue its operations in the near future and that, as a result, the financial statements for the year 2017 have been drafted from the perspective of business continuity.
As a result, they have not noticed symptoms within the capital and financial structure and in the operational situation trends that could constitute cause for uncertainty of business continuity.

R&D activity

Pursuant to Article 2428, paragraph 2 of the Civil Code, it is stated that the Company has not registered any amounts for research and development in the total assets.

Relations with subsidiaries, affiliates and Parent Companies

The Company, registered in the National Register of Paying Institutions pursuant to art. 114-septies of the T.U.B is subject to management and coordination by the Parent Company Nexi S.p.A.

As at 31 December 2017, the Parent Company controlled the capital of the Company with a shareholding of 98.745%; pursuant to art. 2428 of the Civil Code; it should be noted that the Company does not directly or indirectly hold treasury shares or shares of the Parent Company through nominees or trust companies.

Transactions with related parties

In order to control the risk that the vicinity of certain people (so-called "Related Parties") to the company's decision-making bodies might compromise the objectivity and impartiality of business decisions with possible distortions in the allocation process of resources, expose the company to risks not adequately measured or, potentially damage the company and its stakeholders, the Nexi Group has adopted a Regulation on Transactions with Related Parties published on the website www.nexi.it.

During the financial year, transactions with related parties were not entered into at conditions other than the conditions normally applied on the market or that have had a material effect on the financial position or results of the Group during the reporting period. For more information on transactions with related parties, refer to the Explanatory Notes.

Significant events after the reporting period

On 12 February 2018, the Bank of Italy ordered an inspection on Nexi Payments, pursuant to articles 114 quaterdecies, c.4 and 128 of Legislative Decree 1.9.1993, no. 385 aimed at evaluating compliance with regulations on the transparency of operations and the correctness of customer relations.

Outlook

In 2018, the Company will be able to benefit from a general, albeit moderate, economic recovery, although the level of interest rates remains extraordinarily low.

The Nexi Group will leverage the initiatives provided for in the new 2017-2021 Business Plan, approved on 9 February 2017, aimed at maintaining a sustainable level of profitability over time, maximizing the value of the Group's components and maintaining an increasingly efficient cost structure.

Registered Office

Corso Sempione, 55 - Milan.

Allocation of net profit

Allocation of Net Profit

The Financial Statements that we are submitting and inviting you to examine and approve, report € 83,425,355.

It is proposed that the operating profit be totally allocated to the reserve.

FINANCIAL STATEMENTS AS AT 31 DECEMBER

2017

Financial Statements as at 31 December

STATEMENT OF FINANCIAL POSITION

(€)

ASSET		31.12.2017	31.12.2016
10.	Cash and cash equivalents	20,461	20,485
40.	Available-for-sale financial assets	83,174,012	47,583,219
60.	Loans and receivables	2,572,233,316	2,391,811,519
100.	Property, equipment and investment property	83,188,336	84,181,370
110.	Intangible assets	603,181,525	25,007,834
120.	Tax assets	39,810,210	20,359,976
	a) current	*18,115,162*	*-*
	b) deferred	*21,695,048*	*20,359,976*
	- including as per Law no. 214/2011	*11,358,443*	*12,443,350*
140.	Other assets	250,906,498	222,921,686
	TOTAL ASSETS	**3,632,514,358**	**2,791,886,089**

LIABILITIES		31.12.2017	31.12.2016
10.	Liabilities	2,298,506,245	1,618,509,179
30.	Financial liabilities held for trading	1,051,432	-
50.	Hedging derivatives	5,520,019	-
70.	Tax liabilities	15,977,482	20,407,746
	a) current	*-*	*16,727,819*
	b) deferred	*15,977,482*	*3,679,927*
90.	Other liabilities	497,417,238	360,105,825
100.	Post-employment benefits	6,003,504	6,495,740
110.	Provisions for risks and charges:	13,042,160	13,589,326
	b) other provisions	*13,042,160*	*13,589,326*
120.	Share capital	56,888,798	56,888,798
150.	Share premium	2,273,684	2,273,684
160.	Reserves	621,794,301	380,063,253
170.	Valuation reserves	30,614,140	3,643,851
180.	Profit for the year	83,425,355	329,908,687
	TOTAL LIABILITIES AND EQUITY	**3,632,514,358**	**2,791,886,089**

INCOME STATEMENT

(€)

		2017	2016
10.	**Interest and similar income**	**21,568,701**	**24,303,884**
20.	**Interest and similar expense**	**-33,988,555**	**-31,572,640**
	Net interest expense	**-12,419,854**	**-7,268,756**
30.	**Fee and commission income**	**951,451,121**	**854,265,994**
40.	**Fee and commission expense**	**-566,208,211**	**-543,041,248**
	Net fee and commission income	**385,242,910**	**311,224,746**
50.	**Dividends and similar income**	**248,473**	**107,700**
60.	**Net trading income (losses)**	**-1,604,100**	**-560,275**
70.	**Fair value adjustments in hedge accounting**	**999,156**	**-**
90.	**Net profit on sale or repurchase of:**	**-**	**278,050,936**
	a) financial assets	*-*	*278,050,936*
	Total income	**372,466,585**	**581,554,351**
100.	**Net impairment losses:**	**-1,505,702**	**-2,245,522**
	a) financial assets	*-1,505,702*	*-2,245,522*
110.	**Administrative expenses:**	**-431,143,267**	**-347,715,040**
	a) personnel expense	*-69,958,742*	*-41,485,760*
	b) other administrative expenses	*-361,184,525*	*-306,229,280*
120.	**Depreciation and net impairment losses on property, equipment and investment property**	**-21,667,414**	**-20,545,666**
130.	**Amortisation and net impairment losses on intangible assets**	**-14,291,140**	**-4,952,905**
150.	**Net accruals to provisions for risks and charges**	**-1,814,271**	**-1,473,429**
160.	**Other operating income**	**220,943,463**	**187,699,354**
	Operating profit	**122,988,254**	**392,321,143**
	Pre-tax profit from continuing operations	**122,988,254**	**392,321,143**
190.	**Income taxes**	**-39,562,899**	**-62,412,456**
	Post-tax profit from continuing operations	**83,425,355**	**329,908,687**
	Profit for the year	**83,425,355**	**329,908,687**

STATEMENT OF COMPREHENSIVE INCOME

(€)

CAPTIONS		AMOUNT	
		2017	**2016**
10.	**Profit for the year**	**83,425,355**	**329,908,687**
Items, net of tax, that will not be reclassified subsequently to profit or loss			
20.	Property, equipment and investment property		
30.	Intangible assets		
40.	Defined benefit plans	**(7,356)**	144,242
50.	Non-current assets held for sale		
60.	Share of valuation reserves of equity-accounted investees		
Items, net of tax, that will be reclassified subsequently to profit or loss			
70.	Hedges of investments in foreign operations		
80.	Exchange rate gains (losses)		
90.	Cash flow hedges		
100.	Available-for-sale financial assets	**27,052,595**	79,385
110.	Non-current assets held for sale		(172,511,660)
120.	Share of valuation reserves of equity-accounted investees		
130.	**Other comprehensive income (expense), net of tax**	**27,045,239**	**(172,288,033)**
140.	**Comprehensive income (captions 10 + 130)**	**110,470,594**	**157,620,654**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(€ '000)

				ALLOCATION OF PRIOR YEAR PROFIT		CHANGES FOR THE YEAR							
							EQUITY TRANSACTIONS						
	BALANCE AT 31 DECEMBER 2015	CHANGE TO OPENING BALANCES	BALANCE AT 1 JANUARY 2016	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	REPURCHASE OF TREASURY SHARES	EXTRAORDINARY DIVIDEND DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	OTHER CHANGES	2016 COMPREHENSIVE INCOME	EQUITY AT 31.12.2016
Share capital	56,889		56,889										56,889
Share premium	2,274		2,274										2,274
Reserves:													
a) income-related	220,541		220,541	178									220,719
b) other IFRIC 13	(2,778)		(2,778)										(2,778)
c) merger goodwill	158,001		158,001										158,001
d) other	4,121		4,121										4,121
Valuation reserves	175,932		175,932									(172,288)	3,644
Equity instruments	-		-										-
Treasury shares	-		-										-
Profit for the year	71,289		71,289	(178)	(71,111)							329,908	329,908
Equity	**686,269**	**-**	**686,269**	**-**	**(71,111)**	**-**	**-**	**-**	**-**	**-**	**-**	**157,620**	**772,778**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(€ '000)

				ALLOCATION OF PRIOR YEAR PROFIT		CHANGES FOR THE YEAR							
							EQUITY TRANSACTIONS						
	BALANCE AT 31 DECEMBER 2016	CHANGE TO OPENING BALANCES	BALANCE AT 1 JANUARY 2017	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	REPURCHASE OF TREASURY SHARES	EXTRAORDINARY DIVIDEND DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	OTHER CHANGES	2017 COMPREHENSIVE INCOME	EQUITY AT 31.12.2017
Share capital	56,889		**56,889**										**56,889**
Share premium	2,274		**2,274**										**2,274**
Reserves:													
a) income-related	220,719		**220,719**	241,731									**462,450**
b) other IFRIC 13	(2,778)		**(2,778)**										**(2,778)**
c) merger goodwill	158,001		**158,001**										**158,001**
d) other	4,121		**4,121**										**4,121**
Valuation reserves	3,644		**3,644**								(75)	**27,045**	**30,614**
Equity instruments	-		**-**										**-**
Treasury shares	-		**-**										**-**
Profit for the year	329,908		**329,908**	(241,731)	(88,178)							**83,425**	**83,425**
Equity	**772,778**	**-**	**772,778**	**-**	**(88,178)**	**-**	**-**	**-**	**-**	**-**	**(75)**	**110,471**	**794,997**

STATEMENT OF CASH FLOWS (indirect method)

(€'000)

A. OPERATING ACTIVITIES	AMOUNT 31.12.2017	31.12.2016
1. Operations	**289,125**	**81,845**
- profit for the year (+/-)	**83,425**	329,909
- net gains on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	**1,604**	-
- gains / losses on hedging activities (- / +)	**(999)**	-
- net impairment losses (+/-)	**1,506**	2,246
- net impairment losses on property, equipment and investment property and intangible assets (+/-)	**35,959**	25,499
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	**1,814**	1,473
- unpaid taxes, duties and tax assets (+/-)	**(1,603)**	878
- other adjustments (+/-)	**167,419**	(278,159)
2. Cash flows generated by financial assets	**(229,260)**	**3,211**
- available-for-sale financial assets	**(0)**	3,742
- loans and receivables with banks	**(26,389)**	11,182
- loans and receivables with financial institutions	**(57,570)**	(764)
- loans and receivables with customers	**(96,462)**	(35,500)
- other assets	**(48,838)**	24,550
3. Cash flows used by financial liabilities	**628,553**	**(188,336)**
- due to banks	**464,768**	(289,986)
- due to customers	**4,323**	2,518
- financial liabilities held for trading	**1,051**	-
- other liabilities	**158,411**	99,131
Net cash flows generated by operating activities	**688,417**	**(103,280)**
B. INVESTING ACTIVITIES		
1. Cash flows generated by	-	214,809
- sale of financial assets available for trade	**-**	212,172
- dividends from equity investments	**-**	108
- sale of property, equipment and investment	**-**	2,529
2. Cash flows used to acquire	**(600,239)**	**(40,418)**
- property, equipment and investment property	**(20,674)**	(25,583)
- intangible assets	**(26,873)**	(14,835)
- business units	**(552,692)**	-
Net cash flows used in investing activities	**(600,239)**	**174,391**
C. FINANCING ACTIVITIES		
- dividend and other distributions	**(88,178)**	(71,111)
Net cash flows used in financing activities	**(88,178)**	**(71,111)**
NET CASH FLOWS FOR THE YEAR	**(0)**	**(2)**

RECONCILIATION	AMOUNT	
	31.12.2017	31.12.2016
Financial statements captions		
Opening cash and cash equivalents	**20**	22
Net cash flows for the year	**(0)**	(2)
Closing cash and cash equivalents	**20**	**20**

EXPLANATORY NOTES

2017

Explanatory Notes

Part A - Accounting policies

A.1 - GENERAL PART

SECTION 1 - Statement of compliance

Pursuant to Regulation (EC) 1606 of 19 July 2002, the company has prepared these financial statements as at and for the year ended 31 December 2017 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. They were introduced into Italian law with Legislative decree no. 38/2005.

The company applied the IFRS enacted at 31 December 2017 and Bank of Italy's instructions about financial statements of financial intermediaries issued on 09 December 2016.

It did not make any departures from the IFRS.

SECTION 2 - Basis of presentation

The company's presentation currency is the Euro and the amounts shown in the financial statements and these notes are in Euros.
The company has applied the recognition and measurement criteria established by the IFRS endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

The following paragraphs illustrate the amendments made to several accounting standards issued by the IASB and validated by the European Commission, which were applicable on a mandatory basis from FY 2017:

- Regulation (EU) no. 1989 of 9 November 2017 -"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" amends IAS 12 Income Taxes to address diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value that has arisen because of uncertainty about the application of some of the principles in IAS 12.
- Regulation (EU) no. 1990/2017 of 9 November 2017 "Disclosure Initiative (Amendments to IAS 7)" amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Regulation (EU) no. 2018/182 of 7 February 2018 "'Annual Improvements to IFRS Standards 2014–2016 Cycle", amends IFRS 1 First-time adoption of IFRS, IFRS 12 Disclosure of investments in other entities and IAS 28 Investments in associates and joint ventures. Regarding to the amendment of IAS 28, the IASB clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The application of the above-illustrated amendments did not have any significant impact on the Financial Statements.

The following table shows the new standards or amendments with the related endorsement regulations. Their application is mandatory from 1 January 2018 (for entities whose reporting period is the calendar year) or subsequently.

ENDORSEMENT REGULATION	NAME	STANDARD/INTERPRETATION	YEAR OF APPLICATION
2016/2067	IFRS 9	Financial Instruments	2018
2017/1988	Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2018
2016/1905	IFRS 15	Revenue from contracts with customers	2018
2017/1987	Clarifications to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	2018
2017/1986	IFRS 16	Leases	2019
2018/182	Annual Improvements to IFRS Standards 2014-2016 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates and Joint Ventures	2018 (for the IFRS 1 and IAS 28 amendments)

With reference to IFRS 9, Nexi Group, during 2016 and 2017, has conducted a project in order to identify the main areas of impact and to establish the reference method framework for the classification, measurement and impairment of financial assets.
The project scope has included the design and the approval of IFRS 9 application guidelines by the Board of Director and the subsequent udpate of internal accounting policy.

In particular, for the classification and measurement of debt financial instruments, the analysis highlighted the following:
- Business Model: the Business Models have been defined and approved by the Board of Directors and the internal accounting policy have been updated. We also proceeded to allocate the financial instruments in the Defined Business Model Portfolio; in particular, the trading and the loan portfolios will not change and will be allocated respectively in the IFRS 9 "Other" and "Held to collect" (HTC) portfolios.
- SPPI (Sole payment of Principal and Interest) test: the internal accounting policy has been updated and was carried out an analysis on the current stock of financial assets classified in the HTC portfolio which showed that these instruments passed the SPPI test.

With reference to the classification of the equity instruments in the portfolio, the analysis highlighted that are capital instruments other than trading purposes; for these instruments, classified in the portfolio of instruments available for sale for IAS 39 purposes, the decision taken by the Group to use the option envisaged by IFRS 9 that allows the measurement of these instruments at fair value against Shareholders' equity and does not generate any impact on the Group's net equity. The treatment mentioned before need to reclassify the capital losses recorded from the Retained Earnings to the Valuation Reserve. Consequently only the dividends should be recognized in the income statement.
With reference to 2016 and 2017 financial statements we have not any impact because we don't found the above mentioned case.

Regarding to the Impairment rules, a simulation was carried out over to the portfolio at 31 December 2017. The simulation shows that there are very limited impacts because the Group's loan portfolio mainly consists of current account related to the services provided by the Group, short term loans related to the e-money services, that are almost fully guaranteed by the bank partners, and by the short-term trade receivable. No substantial differences were found between the valuation model with Probability of Default to 1 year (for loans classified in stage 1) and with probability of default life time (for loans classified in stage 2). The model in use is already based on the probability of default to 1 year and the changes aforementioned did not generate impacts. The analyses carried out with reference to the inclusion of looking forward variables have shown the absence of significant impacts, considering the characteristics of the loan portfolio and the low amount of the provision recorded for performing loans by the Group.

With reference to the amendments of Hedge accounting rules, Visa shares hedging relationships, started in September 2017, is the only transaction that falls in this accounting model. Consequently, the Group decided to apply IFRS9 instead of maintaining IAS 39.

Since this hedging relationships is qualified for hedge accounting in accordance with IAS 39 and also for IFRS 9, is regarded as continuing hedging relationships, with the requirement to rebalance the IAS 39 hedge ratio if necessary and recognize any impacts in the income statement. No rebalancing is necessary as at 31 December 2017, because the hedge ratio calculated in accordance with IAS 39 is the same as that calculated for IFRS 9 purposes.

Therefore, the transition to IFRS 9 will not have any impact on the shareholders' equity but only the reclassification of the "Hedging Result" from the Retained Earnings to the Valuation Reserve, as a result of the fair value valuation of the object hedged against equity.

The changes related the accounting treatment of "own credit risk" will not have any impact because this cases are not present in the financial statements of Nexi Payments.

With reference to IFRS 15, Nexi Group decided to apply the prospective implementation with cumulative effect. Consequently, the transition date to the new standard is 1 January 2018. The impacts have been determined with reference only to the contracts that have not been completed as the date of first implementation.

The analysis conducted with reference to January 1, 2018, highlighted the following:
- Identification of contracts with customers: no significant impacts were identified;
- contracts with multiple performance obligations: Performance obligations, in the majority of cases refer to routinary or recurring services. For this reason it's applicable the exception envisaged by IFRS 15 that consider the individual contractual obligations, such as a single performance obligation. The only impact relates to up front revenues that under IFRS 15 should be included in the total consideration of the service provided and the revenues from software selling are considered as a transfer of right of access that should be recognized straight line basis in relation to the useful life of the underlying contracts. The change in accounting treatment requires to reverse from the Retained Earnings as at 1 January 2018 revenues and costs that for IFRS 15 purposes are attributable to subsequent financial years;
- determination of the transaction price: The estimate of variable considerations is the only rule of IFRS 15 that could be applied. In particular existing contracts in some limited cases, include bucket considerations or periodic adjustments according to the volumes billed for services. The frequency of accounting of the adjustments does not exceed the solar year. Therefore, this variable consideration does not affect the annual financial statements of Nexi Payments;
- allocation of the transaction price to the performance obligations: The contracts including more performance obligations generally refer to recurring services, for which, there is not the application of significant rebates and consequently there are no significant impacts;
- revenue recognition: There are no significant impacts due to the nature of Nexi Payments revenues.

Following the summary of the estimates up to date relating to the impacts on the Net Equity of Nexi Payments as at 31 December 2017 due to the application of the accounting standards applicable from 1 January 2018. These estimates are on going.

(€/million)	AS REPORTED AT 31 DECEMBER 2017	ESTIMATED ADJUSTMENTS DUE TO ADOPTION OF IFRS 9	ESTIMATED ADJUSTMENRS DUE TO ADOPTION OF IFRS 15	ESTIMATED ADJUSTED OPENING BALANCE AT 1 JANUARY 2018
Valuation Reserves	**30,6**	0,9	-	31,5
Retained Earnings	**621,8**	(0,9)	(1,5)	619,4
Shareholders Equity	**795,0**	**-**	**(1,5)**	**793,5**

With reference to IFRS 16, a project has been launched at the end of 2017 which will continue in 2018.

The company applies the measurement criteria assuming that it will continue as a going concern and in accordance with the principles of accruals, materiality and significance of the financial data and the principle of substance over form.

The financial statements and the notes present corresponding prior year figures and the statement of comprehensive income. The directors' report and these notes include all the information required by the IFRS, the law and Bank of Italy, as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of the company's financial position and results of operations.

Basis of presentation of the financial statements

Statement of financial position, income statement and statement of comprehensive income

They comprise captions, subcaptions and additional information. Revenue is shown without a plus sign while costs are shown with a minus sign in the income statement.

Statement of changes in equity

This statement shows changes in equity during the year split between share capital, equity-related reserves, income-related reserves, valuation reserves and the profit (loss) for the year. The company has not issued equity instruments other than ordinary shares.

Statement of cash flows

The statement of cash flows for the year and the previous year has been prepared using the indirect method, whereby cash flows from operations are the profit for the year adjusted by the effects of non-monetary transactions.

Cash flows are split between those from operating, investing and financing activities.

Cash flows generated during the reporting period are indicated without a plus sign while those used during the reporting period are shown with a minus sign.

Basis of presentation of the notes

These notes include the information required by Bank of Italy's instructions for the preparation of financial statements by financial intermediaries and the additional information required by the IFRS.

The accounting policies described below have been adopted to disclose all the information in the financial statements.

KPMG S.p.A. audits the financial statements.

SECTION 3 - Events after the reporting period

No events took place after the reporting date that would have had a significant effect on the company's financial position and results of operations or that would have required adjustments to the financial statements captions.

SECTION 4 - Other aspects

There is no other information that needs to be disclosed.

A.2 - KEY FINANCIAL STATEMENTS CAPTIONS AT 31 DECEMBER 2017

Accounting policies

Available-for-sale financial assets

Classification

This category includes non-derivative financial assets that are not classified as loans and receivables, financial assets held for trading, held-to-maturity investments or financial assets at fair value through profit or loss.

Recognition

They are initially recognised at the settlement date and measured at fair value, which includes the directly related transaction costs.

Measurement

AFS financial assets are subsequently measured at fair value with recognition of amortised cost in profit or loss and the fair value gains or losses in a specific equity reserve until the asset is derecognised or an impairment loss is recognised. Gains or losses recognised in equity are reclassified to profit or loss when the asset is sold.
Realised gains or losses are recognised in caption 90 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the market data or internal valuation methods that are, however, based on market data. More information is available in section A.4.

The company tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the company recognises it in profit or loss as the difference between the asset's carrying amount (acquisition cost net of impairment losses already recognised in profit or loss) and fair value. Fair value losses are significant when they exceed 20% of the cost and prolonged if they have existed for over nine months.
If the fair value of a debt instrument increases in a subsequent period and this increase is objectively due to an event that took place in a period after that in which the impairment loss was recognised in profit or loss, the impairment loss is reversed and the related amount is recognised in the same income statement caption. The reversal may not generate a carrying amount higher than that which would have been obtained by measuring that asset at amortised cost had the loss not been recognised. Impairment losses on shares, recognised in profit or loss, cannot be reversed through profit or loss but only directly through equity.

Derecognition

Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
This category includes trade receivables and reverse repurchase agreements.

Recognition

Loans and receivables are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Interest is recognised in caption 10 "Interest and similar income" of the income statement.

Impairment losses are made collectively. Assets are tested for impairment by category and the loss percentages are estimated considering historical figures that allow an estimate of possible losses.

Derecognition

Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, furniture and fittings and all equipment. It also comprises assets under finance lease.

Recognition

Assets acquired on the market are recognised as assets when the main risks and rewards of title are transferred. Initial recognition is at cost, which includes all directly related charges.

Land is recognised separately, including when it is purchased together with the building, using the component approach. It is separated from the building based on third party appraisals.

Measurement

Property, equipment and investment property with a finite useful life are subsequently measured at cost adjusted by accumulated depreciation and any impairment losses/reversals of impairment losses.

The depreciable value of property, equipment and investment property equals their cost as the residual value after depreciation is not deemed significant. Depreciation is charged systematically on a straight-line basis over the asset's estimated useful life to reflect their technical-economic life and residual use.

The useful life of the main categories of property, equipment and investment property is as follows:
- owner-occupied buildings: 33 years;
- electronic office equipment: 5 years;
- POS and ATM, classified as electronic equipment, are depreciated over three and seven years, respectively, as these periods are held to reflect their useful lives.

Land is not depreciated as it has an indefinite life nor are works of art as their useful lives cannot be estimated and their value usually increases over time.

The company tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition

Property, equipment and investment property are derecognised when sold or when no future economic benefits are expected from their continued use or sale.

Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset without physical substance able to generate future economic benefits controllable by the entity.

Recognition

Intangible assets are recognised at cost when the principal risks and rewards are transferred, only when it is probable that the related future economic benefits will materialise and cost can be measured reliably. Otherwise, cost is expensed in the period in which it is incurred.

Measurement

All intangible assets other than goodwill are considered to have finite useful lives and are amortised in line with their cost and related useful lives.

In particular, technology related intangibles, such as software acquired and software development cost, which are amortised on the basis of their expected technological obsolescence and over a maximum period of five years. In particular, the costs incurred for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process;

Their residual value is taken to be nil.

The company tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition

The company derecognises intangible assets when they are sold or when it does not expect to receive future economic benefits from their continued use or sale.

Goodwill

Goodwill arising on business combinations is the difference between the consideration paid, including related costs, and fair value of the assets acquired and the liabilities assumed at the transaction date. If the difference is positive, it is recognised as an asset (goodwill), being a payment by the acquiree for future economic benefits to be generated by assets that cannot be identified individually or recognised separately. If the difference is negative, it is recognised directly in profit or loss (excess cost).

Goodwill is recognised at cost, net of accumulated impairment losses. It is not amortised.

It is tested annually for impairment even if there are no indicators of impairment.

Current and deferred taxes

The company estimates current and deferred taxes, considering the domestic tax consolidation scheme.

Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the statement of financial position (IRAP) or as a liability with the consolidating party under "Other liabilities" if they are included in the domestic tax consolidation scheme (IRES). If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset in caption 120 "Tax assets - a) current" (IRAP) and "Other assets" (IRES). Current and deferred taxes are recognised in caption 190 "Income taxes" of the income statement unless they relate to gains or losses on AFS financial assets and actuarial gains and losses, which are recognised directly in the valuation reserves, net of tax.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting as "Tax assets" and "Tax liabilities", respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The group recognises deferred tax assets (in caption 120.b) for deductible temporary differences and carryfoward tax losses that will reverse in subsequent periods when it is probable that it will make a taxable profit in the same period, according to its business plans, against which it can offset the deferred tax asset.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution as, given the amount of the taxed available reserves, the group does not expect to undertake transactions that would require their taxation.

Deferred tax assets and liabilities are calculated using the tax rates expected to be enacted in the period in which the deferred tax asset will be recovered or the deferred tax liability extinguished, based on the ruling tax laws.

They are remeasured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the company may find itself.

Post-employment benefits

The Italian post-employment benefits (TFR) are a form of deferred remuneration paid to employees when they leave the group. They accrue over the employment term and are recognised under personnel expense.

As payment is certain but not the date of payment, they are assimilated to defined contribution plans and classified as post-employment benefits.

Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as the bank's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19.

Interest accrued on the net liability continues to be recognised.

Provisions for risks and charges

Provisions for risks and charges include accruals made for past events for which it is probable that an outflow of resources will be required when a reliable estimate can be made of the amount.
At each reporting date, the company checks the provisions and they are released in whole or in part to the income statement when it is no longer probable that an outflow of resources will be necessary.

When the effect of the time value of money is material, the provision is discounted using the current market rates at the closing date. Accruals are recognised in profit or loss.

Liabilities

Classification

A liability exists when the company has a contractual obligation to deliver cash or another financial asset to another party at an agreed date.

Recognition

They are recognised at their fair value when the company receives the cash or the commitment to deliver cash arises.

Financial liabilities are initially recognised at fair value, which is normally the amount received or the issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised in caption 20 "Interest and similar expense" of the income statement.

Derecognition

Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e., when the obligation is complied with, cancelled or has expired.

Hedging transactions

Classification

Asset and liability items include financial hedging derivatives, which at the date of the financial statements or interim report showed a positive and negative fair value, respectively.

Hedges seek to neutralise potential losses recognisable on a given financial instrument or a group of financial instruments, attributable to a specific risk, by offsetting them with the gains recognisable on a different financial instrument or group of financial instruments in the event that said risk should actually materialise.

With reference IAS 39 hedges model, Company's hedging transcations only relate to a single fair value hedges transaction, which seek to hedge exposure to changes in the fair value of a specific financial asset, attributable to exchange rate and price risk.

As states by IFRS 9, the derivative instruments is designated as hedges provided that the hedging relationship between the hedged instrument and the hedging instruments is formally documented, and it is effective at the time of origination of the hedge and prospectively throughout its entire life. The hedge effectiveness is assessed at each balance sheet date or interim reporting date, using:

- prospective tests, that justify the application of hedging accounting in that they demonstrate its expected effectiveness;
- retrospective tests, demonstrating the hedge's actual effectiveness achieved over the period being examined.

Recognition

The hedging derivative instrument is recognised at a value equal at the transaction date.

Measurement

Hedging derivatives are designated at fair value and the changes in fair value of the hedged element are offset by the changes in fair value of the hedging instrument. Said offsetting is recognised by charging the changes in value referring both to the hedged element (referring to the changes generated by the underlying risk factor), as well as to the hedging instrument to the income statement, in the caption "hedging result". Any resulting difference, which represents the partial ineffectiveness of the hedge, represents the net effect on the income statement.

If the hedging transaction is discontinued, the hedged instrument returns to being measured based on the criteria in use in its original category.

Derecognition

If hedging effectiveness test failed, the hedging transaction is discontinued and the derivative instrument is classified within trading transactions.
Moreover the hedging transaction is discontinued when:
- the derivative instrument expires;
- the hedging instrument is derecognized.

Financial liabilities held for trading

Classification

This caption includes derivatives held for trading with negative fair value.

Recognition

Financial liabilities held for trading are recognized at the at the subscription date.

Financial liabilities held for trading are initially measured at fair value (generally the amount recognized corresponds to the amount collected).

The transaction income or charges directly attributable to the financial liabilities held for trading are recognized directly to profit & loss.

The definition of fair value is reported in "Part A.4 – Fair value disclosure".

Measurement

Gain or losses related to the fair value changes and/or from the disposal of trading instruments are recognized to profit & loss, in the caption "Net trading income (losses)".

Derecognition

Financial liabilities held for trading are derecognized when:

- the contractual rights over financial flows expired;
- the financial liabilities are sold.

Foreign currency transactions

Initial recognition

Upon initial recognition, a foreign currency transaction is translated into the functional currency using the spot exchange rate ruling at the transaction date.

Subsequent measurement

Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:
- monetary items are retranslated using the closing rates;
- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;
- non-monetary items measured at fair value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items are recognised in profit or loss in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in profit or loss in line with the method used to recognise the gains or losses that include this component.

Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate.

Other disclosures

Income statement

Interest income and expense

Interest income and expense and related income and expense relate to cash and cash equivalents, financial assets and liabilities, AFS financial assets, loans and receivables, liabilities and securities issued.
Interest income and expense are recognised in profit or loss on all instruments measured at amortised cost, using the effective interest method.

Fee and commission income and expense

They are recognised on an accruals basis.

Specifically, membership dues are recognised in profit or loss in line with the credit cards' expiry date and fee and commission income from merchants is recognised on the basis of the settlement date of the cardholders' expenditure. Pursuant to IFRS 13, fees and commissions are adjusted to reflect the fair value of loyalty programme prizes.

Fees and commissions included in amortised cost to calculate the effective interest rate are excluded as they are recognised under interest.

Dividends

Dividends are recognised in profit or loss when their distribution is approved.

Other income and costs

They are recognised on an accruals basis.

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

The financial statements captions are measured using the policies set out above.

Application of these policies sometimes involves the adoption of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses.
The use of reasonable estimates is an essential part of the preparation of financial statements but must not affect their reliability.

The financial statements captions affected to a greater extent by the use of estimates and assumptions are:

- measurement of loans and receivables;
- measurement of non-current assets;
- quantification of accruals to provisions for risks and charges and liabilities for loyalty programmes;
- quantification of deferred liabilities;
- measurement of financial instruments.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss of the period of the change and, if the change affects future periods, also in future periods.
No significant changes to the accounting estimates were made in 2017.

A.3 - TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

None.

A.4 - FAIR VALUE DISCLOSURE

The IFRS require that financial products classified in the HFT or AFS portfolios be measured at fair value.

Application of IFRS 13, which regulates the measurement of fair value and related disclosure, became mandatory on 1 January 2013. This new standard does not extend the scope of application of fair value measurement, but contains the rules for fair value measurement in one standard rather than many standards, with differing treatments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not a forced liquidation or distress sale) on the principal market at the measurement date.

IFRS 13 establishes a hierarchy for measuring fair value of financial instruments depending on the entity's use of discretion, prioritising the use of relevant observable inputs that reflect the assumptions that market participants would use to price assets/ liabilities.
The fair value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

Nexi Payments has just one Level 3 financial instrument, namely, its investment in Visa Europe, the fair value of which was calculated using all the information and data available at the measurement date. This instrument was not traded during the year.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:
- for non-current financial assets and liabilities, the discounted cash flow method is mainly used;
- for floating-rate on demand assets with a short term, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect fair value as it reflects changes in interest rates and the issuer credit risk;
- for floating-rate and current fixed-rate liabilities, the carrying amount is deemed to adequately reflect fair value, for the reasons set out above;
- for non-current fixed-rate liabilities, the discounted cash flow method, without considering changes in its credit spread, given its immateriality, is used.

Qualitative disclosure

A.4.1 Levels 2 and 3: valuation techniques and inputs used

Recurring valuations assets and liabilities mainly refer to Visa Inc. shares hold by the company and to derivatives instruments held in order to reduce the price and exchange rate risk arising from those asset.

Fair those instruments, for which there are no prices directly observable on active markets, the fair value has been determined as follows:
- Equity instrument: the fair value of Visa Inc Class C shares hold by the Company has been determined based on the market price of Visa Inc Class A shares;
- Derivatives OTC: these are measured on the basis of models that are in accordance with market marpractices (Black&Scholes) and using information based on market data. Since these are derivatives under CSA agreement, the counterparty risk is mitigated by the daily collateral settlement with the counterparty.

A.4.2 Measurement processes and sensitivity

The company hasn't just one level 3 financial instrument.

A.4.3 Fair value hierarchy

Transfers between the fair value levels are made to reflect changes in the instruments or its market.

Transfers from level 1 to level 2 are made when there is an inadequate number of contributors or a limited number of investors that hold the outstanding float.

Conversely, instruments that are illiquid when issued and have a small number of trades classified in level 2 are transferred to level 1 when an active market exists.

A.4.4 Other disclosures

None.

Quantitative disclosure

A.4.5 Fair value hierarchy

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

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	TOTAL
1. Financial assets held for trading				
2. Financial assets at fair value through profit or loss				
3. Available-for-sale financial assets		**83,174,012**		83,174,012
4. Hedging derivatives				
5. Property, equipment and investment property				
6. Intangible assets				
Total		**83,174,012**		**83,174,012**
1. Financial liabilities held for trading		**1,051,432**		
2. Financial liabilities at fair value through profit or loss				
3. Hedging derivatives		**5,520,019**		
Total		**6,571,451**		

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

None.

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

None.

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

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	2017				2016			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Held-to-maturity investments								
2. Loans and receivables			**2,572,233,316**				2,391,811,519	
3. Investment property			**6,790,000**				6,720,000	
4. Non-current assets held for sale and disposal groups								
Total			**2,579,023,016**				**2,398,531,519**	
1. Due			**2,298,506,245**				1,618,509,179	
2. Securities issued								
3. Liabilities associated with assets held for sale								
Total			**2,298,506,245**				**1,618,509,179**	

A.5 - INFORMATION ON "DAY ONE PROFIT/LOSS"

None. Nexi Payments does not engage in transactions that give rise to day one profit or loss.

Part B - Notes to the statement of financial position

ASSETS

SECTION 1 - Cash and cash equivalents - Caption 10

CAPTIONS/AMOUNTS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Cash and revenue stamps	-	-
2. Franking machines	**20,461**	20,485
Total €	**20,461**	**20,485**

The balance comprises postal accounts.

SECTION 4 - Available-for-sale financial assets - Caption 40

4.1 COMPOSITION OF CAPTION 40 "AVAILABLE-FOR-SALE FINANCIAL ASSETS"

CAPTIONS/AMOUNTS	TOTAL 31.12.2017			TOTAL 31.12.2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL3
1. Debt instruments						
- structured instruments						
- other instruments						
2. Equity instruments and OEIC units		**83,174,012**			47,583,219	
3. Financing						
Total €	-	**83,174,012**	-	-	**47,583,219**	-

4.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS: BREAKDOWN BY DEBTOR/ISSUER

CAPTIONS/AMOUNTS	TOTAL 31.12.2017	TOTAL 31.12.2016
Financial assets		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Financial institutions	**83,135,278**	47,544,485
e) Other issuers	**38,734**	38,734
Total €	**83,174,012**	**47,583,219**

"Financial institutions" include the following equity investments over which the Group does not have control, joint control or significant influence:

CAPTIONS/AMOUNTS	TOTAL 31.12.2017	TOTAL 31.12.2016
Visa Inc.	**83,091,327**	47,500,534
International Card System AD - Casys	**43,951**	43,951
Total financial institutions	**83,135,278**	**47,544,485**
CNBC S.p.A. (digital television body)	**38,734**	38,734
Total other issuers	**38,734**	**38,734**
Total €	**83,174,012**	**47,583,219**

The increase in the carrying amount of the AFS financial instruments is tied to the rise in the market price of the Visa Inc. shares, which are used as the basis to estimate the fair value of the shares held.

4.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS: CHANGES

CHANGES/TYPE	DEBT INSTRUMENTS	EQUITY INSTRUMENTS AND OEIC UNITS	FINANCING	TOTAL
A. Opening balance		**47,583,219**		**47,583,219**
B. Increases				
B1. Purchases				
B2. Fair value gains				
B3. Reversals of impairment losses:				
- recognised in profit or loss		6,519,177		6,519,177
- recognised in equity		27,052,596		27,052,596
B4. Transfers from other portfolios				
B5. Other increases		2,019,020		2,019,020
C. Decreases				
C1. Sales				
C2. Repayments				
C3. Fair value losses				
C4. Impairment losses				
C5. Transfers to other portfolios				
C6. Other decreases				
D. Closing balance		**83,174,012**		**83,174,012**

SECTION 6 - Loans and receivables with banks - Caption 60

This caption comprises:

BREAKDOWN	TOTAL 31.12.2017	TOTAL 31.12.2016
Loans and receivables with banks	**33,603,658**	7,214,361
Loans and receivables with financial institutions	**173,233,569**	115,663,180
Loans and receivables with customers	**2,365,396,089**	2,268,933,978
Total €	**2,572,233,316**	**2,391,811,519**

6.1 LOANS AND RECEIVABLES WITH BANKS

BREAKDOWN	TOTAL 31.12.2017 CARRYING AMOUNT	TOTAL 31.12.2017 FAIR VALUE L1	TOTAL 31.12.2017 FAIR VALUE L 2	TOTAL 31.12.2017 FAIR VALUE L 3	TOTAL 31.12.2016 CARRYING AMOUNT	TOTAL 31.12.2016 FAIR VALUE L1	TOTAL 31.12.2016 FAIR VALUE L 2	TOTAL 31.12.2016 FAIR VALUE L 3
1. Deposits and current accounts	**33,581,541**		**33,581,541**		7,122,753		7,122,753	
2. Financing								
2.1 Reverse repurchase agreements								
2.2 Finance leases								
2.3 Factoring								
- with recourse								
- without recourse								
2.4 Other financing								
3. Debt instruments								
- structured securities								
- other instruments								
4. Other assets	**22,117**		**22,117**		91,608		91,608	
Total €	**33,603,658**		**33,603,658**		**7,214,361**		**7,214,361**	

Deposits and current accounts mainly consist of current accounts held with Nexi.

Other assets solely comprise receivables related to financial services.

6.2 LOANS AND RECEIVABLES WITH FINANCIAL INSTITUTIONS

BREAKDOWN	TOTAL 31.12.2017 CARRYING AMOUNT PERFORMING	TOTAL 31.12.2017 CARRYING AMOUNT IMPAIRED PURCHASED	TOTAL 31.12.2017 CARRYING AMOUNT IMPAIRED OTHER	TOTAL 31.12.2017 FAIR VALUE L1	TOTAL 31.12.2017 FAIR VALUE L2	TOTAL 31.12.2017 FAIR VALUE L3	TOTAL 31.12.2016 CARRYING AMOUNT PERFORMING	TOTAL 31.12.2016 CARRYING AMOUNT IMPAIRED PURCHASED	TOTAL 31.12.2016 CARRYING AMOUNT IMPAIRED OTHER	TOTAL 31.12.2016 FAIR VALUE L1	TOTAL 31.12.2016 FAIR VALUE L2	TOTAL 31.12.2016 FAIR VALUE L3
1. Financing	**173,233,569**				**173,233,569**		115,663,180				115,663,180	
1.1 Reverse repurchase agreements												
1.2 Finance leases												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other financing												
2. Debt instruments												
- structured securities												
- other instruments												
3. Other assets												
Total €	**173,233,569**				**173,233,569**		**115,663,180**				**115,663,180**	

This caption includes receivables due from the international Visa and Mastercard circuits.
The international circuits calculate the net position of each member every day, considering purchases, cash advances, commissions due among the circuit members and commissions due to the circuits for services provided by them. The net position is settled daily by crediting or debiting the current account held with the parent.

6.3 LOANS AND RECEIVABLES WITH CUSTOMERS

	TOTAL 31.12.2017						TOTAL 31.12.2016					
	CARRYING AMOUNT						CARRYING AMOUNT					
		IMPAIRED		FAIR VALUE				IMPAIRED		FAIR VALUE		
BREAKDOWN	PERFORMING	PURCHASED	OTHER	L1	L2	L3	PERFORMING	PURCHASED	OTHER	L1	L2	L3
1. Financing												
1.1 Finance leases												
of which: without final purchase option												
1.2 Factoring												
- with recourse												
- without recourse												
1.3 Consumer credit												
1.4 Credit cards	**2,316,378,947**		**170,125**		**2,316,378,947**	**170,125**	2,234,830,173		151,019		2,234,830,173	151,019
1.5 Loans on pledges												
1.6 Financing granted for payment services received												
1.7. Other financing of which: from enforcements of guarantees and commitments												
2. Debt instruments												
2.1 structured securities												
2.2 other instruments												
3. Other assets	**48,631,752**		**215,266**		**48,631,752**	**215,266**	33,394,603		558,183		33,394,603	558,183
Total €	**2,365,010,698**		**385,391**		**2,365,010,698**	**385,391**	**2,268,224,776**		**709,202**		**2,268,224,776**	**709,202**

Caption 4. "Credit cards" includes:

Breakdown "1.4 Credit cards":	31.12.2017	31.12.2016
Receivables from CartaSi cardholders for ordinary credit	**2,098,690,507**	2,010,450,985
Personal loans to customers	**6,415,520**	7,504,997
Receivables from CartaSi cardholders for credit extensions on revolving cards	**211,443,045**	217,025,210
Disputed receivables from CartaSi cardholders	**-**	-
Total €	**2,316,549,072**	**2,234,981,192**

Caption 7. "Other assets" comprises:

Breakdown "3. Other assets":	31.12.2017	31.12.2016
Receivables from merchants	**48,030,750**	32,854,783
Receivables for disputes	**816,267**	1,098,003
Receivables from merchants transferred to legal advisors	**-**	-
Total €	**48,847,018**	**33,952,786**

Loans and receivables with customers are adjusted by the estimate of expected losses to reflect their recoverable amount.

SECTION 10 - Property, equipment and investment property - Caption 100

10.1 PROPERTY AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

ASSETS/AMOUNTS	TOTAL 31.12.2017 ASSETS MEASURED AT COST	TOTAL 31.12.2016 ASSETS MEASURED AT COST
1. Owned		
a) land	**13,209,157**	13,209,157
b) buildings	**19,836,834**	21,616,592
c) furniture	**928,827**	1,369,699
d) electronic systems	**43,430,109**	41,932,453
e) other		
2. Under finance lease		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total €	**77,404,927**	**78,127,901**

10.2 INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

ASSETS/AMOUNTS	TOTAL 31.12.2017				TOTAL 31.12.2016			
	CARRYING AMOUNT	FAIR VALUE			CARRYING AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Owned								
a) land	**743,698**				743,698			
b) buildings	**5,039,711**				5,309,771			
2. Under finance lease								
a) land								
b) buildings								
Total €	**5,783,409**		**6,790,000**		**6,053,469**		**6,720,000**	

Owned buildings include the buildings in Via Livraghi 16, Milan and Strada 1, Assago MilanoFiori, the fair value of which was calculated by a third party.

10.5 PROPERTY AND EQUIPMENT: CHANGES

	LAND	BUILDINGS	FURNITURE	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**17,362,601**	**58,209,721**	**4,326,187**	**181,039,212**	**-**	**260,937,721**
A.1 Total net impairment losses	**4,153,444**	**36,593,129**	**2,956,488**	**139,106,759**		**182,809,820**
A.2 Net opening balance	**13,209,157**	**21,616,592**	**1,369,699**	**41,932,453**	**-**	**78,127,901**
B. Increases						
B.1 Purchases			707,002	21,577,109		22,284,111
B.2 Capitalised improvement costs						
B.3 Reversals of impairment losses						
B.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
B.5 Exchange rate gains						
B.6 Transfers from investment property						
B.7 Other increases						
- business combinations						
C. Decreases						
C.1 Sales			1,113,191	496,540		1,609,731
C.2 Depreciation		1,779,758	34,683	19,582,912		21,397,354
C.3 Impairment losses recognised in:						
a) equity						
b) profit or loss						
C.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
C.5 Exchange rate losses						
C.6 Transfers to:						
a) investment property						
b) disposal groups						
C.7 Other decreases						
D. Net closing balance	**13,209,157**	**19,836,834**	**928,827**	**43,430,109**	**-**	**77,404,927**
D.1 Total net impairment losses	4,153,444	38,372,887	2,991,171	158,689,671	-	204,207,174
D.2 Gross closing balance	**17,362,601**	**58,209,721**	**3,919,998**	**202,119,781**	**-**	**281,612,101**
E. Cost						

Purchases mainly refer to investments for ATMs and POS.

10.6 INVESTMENT PROPERTY: CHANGES

	TOTAL	
	LAND	BUILDINGS
A. Opening balance	**743,698**	**5,309,771**
B. Increases		
B.1 Purchases		
B.2 Capitalised improvement costs		
B.3 Fair value gains		
B.4 Reversals of impairment losses		
B.5 Exchange rate gains		
B.6 Transfers from property and equipment		
B.7 Other increases		
C. Decreases		
C.1 Sales		
C.2 Depreciation		270,060
C.3 Fair value losses		
C.4 Impairment losses		
C.5 Exchange rate losses		
C.6 Transfers to other portfolios:		
a) property and equipment		
b) non-current assets held for sale		
C.7 Other decreases		
D. Closing balance	**743,698**	**5,039,711**
E. Fair value		

SECTION 11 - Intangible assets - Caption 110

11.1 COMPOSITION OF CAPTION 110 "INTANGIBLE ASSETS"

	31.12.2017		31.12.2016	
CAPTIONS/MEASURE	ASSETS MEASURED AT COST	ASSETS MEASURED AT FAIR VALUE	ASSETS MEASURED AT COST	ASSETS MEASURED AT FAIR VALUE
1. Goodwill				
2. Other intangible assets:				
2.1 owned				
- internally generated				
- other	**603,181,525**		25,007,834	
2.2. under finance lease				
Total 2	**603,181,525**		**25,007,834**	
3. Assets under finance lease:				
3.1 for which purchase option has not been exercised				
3.2 withdrawn after termination of lease				
3.3 other				
Total 3				
4. Assets under operating lease				
Total 4 €				
Total (1+2+3+4) €	**603,181,525**		**25,007,834**	
Total €		**603,181,525**		**25,007,834**

The caption "Other intangible assets: other" includes:

Caption 2. "Other intangible assets: other" includes:	31.12.2017	31.12.2016
Software	**13,465,966**	6,778,568
Trademarks and patents	**38,982**	36,614
Customer relationship C-Card	**1,325,080**	1,953,345
Projects	**2,363,744**	
Goodwill	**565,592,128**	-
Other assets	**20,395,626**	16,239,307
Total €	**603,181,525**	**25,007,834**

11.2 INTANGIBLE ASSETS: CHANGES

	TOTAL
A. Opening balance	**25,007,834**
B. Increases	
B.1 Purchases	26,872,704
B.2 Reversals of impairment losses	
B.3 Fair value gains recognised in:	
- equity	
- profit or loss	
B.4 Other increases	
- business combinations	565,592,128
C. Decreases	
C.1 Sales	
C.2 Amortisation	8,832,394
C.3 Impairment losses	
- equity	
- profit or loss	5,458,746
C.4 Fair value losses recognised in:	
- equity	
- profit or loss	
C.5 Other decreases	
D. Closing balance	**603,181,525**

The item purchases is mainly due to investments in software for licenses and costs for software development in progress.

The item 'Other changes - business combinations' refer to the goodwill recorded for the acquisition of the Deutsche Bank and BMPS book acquiring.

Impairment test

Nexi Payments has performed the impairment test on the intangible asset with an indefinite useful.

The impairment test has been performed for the following intangible asset arising from the acquisition, in 2017, of the "Card acquiring business units" from Deutsche Bank AG and from Banca Monte dei Paschi di Siena:

DESCRIPTION	GOODWILL €mln
MPS card acquiring business unit	523.6
DB card acquiring business unit	42.0

The estimate of Value in Use has been carried out by applying the Dividend Discount Model in its Excess Capital version which was developed starting from Nexi Group 2017-2021 Business Plan, which has been approved by the Board of Director (BoD) of the Parent Company on February 9th, 2017. The Business Plan will be applied on a pro-forma basis to take into account the updates approved by the BoD (e.g. IT Strategy), the changes in the Group perimeter (e.g. sale of the Transfer Agent Pension Fund) and the items included in the Budget 2018

As regards the Fair Value determination, it was applied the trading multiples method, using the median P/E adjusted multiple of a panel of comparable companies.

The main parameter used to estimate the cost of Capital in the calculation of the Value in Use are the follows:

COST OF CAPITAL (KE)	
Risk free rate 31.12.2017	2.0%
Equity Risk Premium	5.5%
Beta median	1.1
Ke	**8.1%**
Growth rate	**2.0%**

They have been determined as follows:
- Risk free: gross yield of Italian BTP 10Y at December 31st 2017 (Source: Info provider).
- Beta: median 5 year monthly beta of listed comparable companies operating in the Cards business.
- Equity Market Risk Premium: in line with the best professional valuation praxis.

In order to determine the Terminal Value of the CGUs:
- g rate: 2.0%, in line with ECB's target for the inflation rate of the Euro Zone;
- a prudential add-on of 100 bps to the discount rate has been applied.

The Distributable dividends during the explicit projections period and sustainable dividend for Terminal Value calculation have been determined considering the compliance with a minimum CET 1 target of 14.0% as established by Bank of Italy. CET1 of 14% is a target ratio for Nexi Group to be calculated on the basis of Mercury UK HoldCo consolidation perimeter.

Valuation activities on goodwill submitted to impairment test resulted in any indication of impairment loss for goodwill being tested.

SECTION 12 - Tax assets and tax liabilities

12.1 COMPOSITION OF CAPTION 120 "TAX ASSETS: CURRENT AND DEFERRED"

	TOTAL 31.12.2017	TOTAL 31.12.2016
Current tax assets:		
IRAP tax asset	**18,115,162**	-
Total €	**18,115,162**	**-**

	TOTAL 31.12.2017	TOTAL 31.12.2016
Deferred tax assets:		
recognised in profit or loss	**21,390,167**	20,055,095
recognised in equity	**304,881**	304,881
Total €	**21,695,048**	**20,359,976**

The temporary differences that led to the company's recognition of deferred tax assets mainly relate to impairment losses on loans and receivables and provisions for risks and charges.

12.2 COMPOSITION OF CAPTION 70 "TAX LIABILITIES: CURRENT AND DEFERRED"

	TOTAL 31.12.2017	TOTAL 31.12.2016
Current tax liabilities:		
IRES	-	-
IRAP	-	16,727,819
Total €	**-**	**16,727,819**

	TOTAL 31.12.2017	TOTAL 31.12.2016
Deferred tax liabilities:		
recognised in profit or loss	**13,710,341**	3,431,809
recognised in equity	**2,267,142**	248,118
Total €	**15,977,482**	**3,679,927**

Changes in deferred tax liabilities recognised in profit or loss mainly relate to the revaluation of the building during first-time adoption of the IFRS.

12.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNISED IN PROFIT OR LOSS)

	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Opening balance	**20,055,095**	**21,094,184**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) reversals of impairment losses		
d) other	**4,031,439**	2,702,881
2.2 New taxes or increases in tax rates		
2.3 Other increases		
- business combinations		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	**2,696,366**	3,741,970
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
a) conversion into tax assets as per Law no. 214/2011		
b) other		
4. Closing balance	**21,390,168**	**20,055,095**

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

	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Opening balance	**12,443,350**	**13,323,345**
2. Increases	-	-
3. Decreases		
3.1 Reversals	**1,084,907**	879,995
3.2 Conversion into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases		
4. Closing balance	**11,358,443**	**12,443,350**

12.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNISED IN PROFIT OR LOSS)

	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Opening balance	**3,431,809**	**3,544,472**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	**10,391,184**	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	**112,653**	112,663
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**13,710,340**	**3,431,809**

12.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNISED IN EQUITY)

	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Opening balance	**304,881**	**304,881**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals		
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**304,881**	**304,881**

12.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNISED IN EQUITY)

	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Opening balance	**248,118**	**13,936,378**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	**2,019,024**	237,219
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals		
b) due to changes in accounting policies		
c) other		13,925,479
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**2,267,142**	**248,118**

The increase refers to the release of deferred taxes related to the realization of available for sale financial instruments.

SECTION 14 - Other assets - Caption 140

14.1 - COMPOSITION OF CAPTION 140 “OTHER ASSETS”

CAPTIONS/AMOUNTS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Taxes and revenue stamps	**50,412,151**	52,876,420
2. Guarantee deposits	**3,357,701**	3,354,101
3. Deferred costs	**11,847,683**	12,607,389
4. Sundry services	**103,258,428**	91,405,456
5. Other assets	**82,030,536**	62,678,320
Total €	**250,906,498**	**222,921,686**

LIABILITIES

SECTION 1 - Liabilities - Caption 10

1.1 LIABILITIES

CAPTIONS	TOTAL 31.12.2017 DUE TO BANKS	TOTAL 31.12.2017 DUE TO FINANCIAL INSTITUTIONS	TOTAL 31.12.2017 DUE TO CUSTOMERS	TOTAL 31.12.2016 DUE TO BANKS	TOTAL 31.12.2016 DUE TO FINANCIAL INSTITUTIONS	TOTAL 31.12.2016 DUE TO CUSTOMERS
1. Financing						
1.1 Repurchase agreements						
1.2 Other financing	**2,052,426,490**			1,339,367,879		
2. Other liabilities	**210,906,516**		**35,173,239**	248,291,022		30,850,278
Total €	**2,263,333,006**		**35,173,239**	**1,587,658,901**		**30,850,278**
Fair value - level 1						
Fair value - level 2	**2,263,333,006**		**35,173,239**	**1,587,658,901**		**30,850,278**
Fair value - level 3						
Total fair value €	**2,263,333,006**		**35,173,239**	**1,587,658,901**		**30,850,278**

"Financing" mainly relates to the current liability with the parent; other financing mostly consists of the liabilities with credit institutions for fees to be paid.

SECTION 3 - Financial liabilities held for trading - Caption 30

3.1 FINANCIAL LIABILITIES HELD FOR TRADING: BREAKDOWN BY PRODUCT

LIABILITIES	TOTAL 31.12.2017 FAIR VALUE L1	L2	L3	FV*	NA	TOTAL 31.12.2016 FAIR VALUE L1	L2	L3	FV*
A. Financial liabilities									
1. Due									
2. Debit instruments									
- Bonds									
- Structured									
- Other									
- Other securities									
- Structured									
- Other									
B. Derivatives									
1. Financial derivatives	**1,051,432**								
2. Credit derivatives									
Total €	**1,051,432**	-	-	-	-	-	-	-	-

Key:
L1 = level 1
L2 = level 2
L3 = level 3
NA = nominal or notional amount
FV* = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.

The item includes the portion of the drift implemented in 2017 that was not included in the coverage report of the Visa Inc shares in the portfolio.

3.3 "FINANCIAL LIABILITIES HELD FOR TRADING": DERIVATIVE FINANCIAL INSTRUMENTS

TYPES/UNDERLYING	INTEREST RATES	CURRENCIES	EQUITIES	OTHER	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Over the counter						
Financial derivatives						
- Fair value						
- notional value						
Credit derivatives						
- Fair value						
- notional value						
Total	-	-	-	-	-	-
2. Other						
Financial derivatives						
- Fair value						
- notional value						
Credit derivatives						
- Fair value						
- notional value			1,051,432		**1,051,432**	
Total	-	-	1,051,432	-	1,051,432	-
Total	-	-	1,051,432	-	1,051,432	-

SECTION 5 - Hedging derivatives - Caption 50

5.1 HEDGING DERIVATIVES: BREAKDOWN BY TYPE OF HEDGE AND LEVEL

NOTIONAL AMOUNTS/ FAIR VALUE LEVELS	TOTAL 31.12.2017				TOTAL 31.12.2016			
	FAIR VALUE				FAIR VALUE			
	L1	L2	L3	NA	L1	L2	L3	NA
A. Financial derivatives								
1) Fair value		5,520,019		6,044,097				
2) Cash flows								
3) Foreign investments								
Total A		5,520,019	-	6,044,097				
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total B		-		-				
Total €		5,520,019	-	6,044,097		-	-	-

Key:
L1 = level 1
L2 = level 2
L3 = level 3
NA = nominal or notional amount

5.2 HEDGING DERIVATIVES: BREAKDOWN BY HEDGED PORTFOLIO AND TYPE OF HEDGE

	FAIR VALUE						CASH FLOW		
	SPECIFIC								
OPERATIONS/ HEDGING TYPE	**INTEREST RATE**	**FOREING EXCHANGE RISK**	**CREDIT RISK**	**PRICE RISK**	**VARIOUS RISK**	**GENERIC**	**SPECIFIC**	**GENERIC**	**FOREINGN INVESTM**
1. Financial assets available for sale				5,520,019		X		X	X
2. Loans				X		X		X	X
3. Investments held to maturity	X			X		X		X	X
4. Portafolio	X	X	X	X	X		X		X
5. Other transactions						X		X	
Total assets				**5,520,019**					
1. Financial liabilities				X		X		X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilites									
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X		X		

SECTION 9 - Other liabilities - Caption 90

9.1 CAPTION 90 "OTHER LIABILITIES"

CAPTIONS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Sundry creditors		
1.1 Disputes	**3,419,812**	3,840,946
1.2 Suppliers	**135,433,769**	112,833,272
1.3 Merchants	**6,886,027**	9,264,314
1.4 Employees	**27,021,476**	6,971,498
1.5 Employees' accrued holidays	**113,411**	149,269
1.6 Social security institutions	**1,593,159**	1,429,398
1.7 Tax authorities	**1,437,826**	1,200,256
1.8 Deferred membership fees	**5,793,091**	5,754,303
1.9 Deferred loyalty commissions	**53,624,944**	53,935,619
1.10 Other liabilities	**262,093,723**	164,726,950
Total €	**497,417,238**	**360,105,825**

The caption mainly consists of other liabilities, including suspense accounts.

SECTION 10 - Post-employment benefits - Caption 100

10.1 POST-EMPLOYMENT BENEFITS: CHANGES

	TOTAL 31.12.2017	TOTAL 31.12.2016
A. Opening balance	**6,495,740**	**6,769,799**
B. Increases		
B.1 Accruals	**92,566**	76,972
B.2 Other increases		
- business combinations	**540,601**	
C. Decreases		
C.1 Payments	**1,090,856**	124,336
C.2 Other decreases	**34,547**	226,695
- business combinations		
D. Closing balance	**6,003,504**	**6,495,740**

The upward variations refer to the accrued interest expenses K€ 93 and to the TFR deriving from the purchase transactions of the Deutsche Bank and BMPS books.

10.2 OTHER INFORMATION

Actuarial assumptions

As required by IAS 19, the main actuarial assumptions used in the actuarial valuation are set out below:

MAIN DEMOGRAPHIC AND ACTUARIAL ASSUMPTIONS USED TO MEASURE POST-EMPLOYMENT BENEFITS AT 31 DECEMBER 2016

Mortality among aged pensioners	Rates relating to Italians broken down by age and gender, published by ISTAT in 2000 and reduced by 25%
Mortality among total and permanent disability pensioners	Rates inferred from the invalidity tables currently used by the reinsurance practice, broken down by age and gender
Annual rate of advances	3.03%
Turnover annual	0.84%
Retirement	Rate based on the satisfaction of the first requirement for the mandatoy genenal insurance
Inflation	1.50%
Annual discount rate	1.31%, inferred from the breakdown of interest rate by maturity bootstrapped from the swap rate curve at the reporting date (Source: Il Sole 24 ore) and established with reference to the group's liabilities due after an average period of 16 years

Sensitivity analysis

As required by IAS 19, the company carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease.

€'000	CHANGE IN POST-EMPLOYMENT BENEFITS (AMOUNT)	CHANGE IN POST-EMPLOYMENT BENEFITS (PERCENTAGE)
Change in actuarial assumptions:		
- Discount rate:		
-0.50%	352	5.86%
0.50%	(325)	-5.41%
- Employee turnover rate:		
-0.50%	23	0.38%
0.50%	(21)	-0.36%

SECTION 11 - Provisions for risks and charges - Caption 110

11.1 COMPOSITION OF CAPTION 110 "PROVISIONS FOR RISKS AND CHARGES"

BREAKDOWN	TOTAL 31.12.2017	TOTAL 31.12.2016
Pension and similar provisions	**-**	**-**
Other provisions		
Agents' termination benefits	**569,916**	569,916
Provision for risks and charges	**10,160,147**	10,767,192
Allowance for impairment	**1,941,597**	1,972,775
Provision for personnel expense	**370,500**	279,443
Total €	**13,042,160**	**13,589,326**

The provision for agents' termination benefits includes their accrued benefits for the rest of their agency contract. The provision for risks and charges covers risks of losses on irregular transactions that have already taken place and fraudulent transactions, calculated on a statistical basis (€1.912 thousand), the accrual for litigation commenced by cardholders and merchants (€2,337 thousand) and other liabilities for contractual commitments (€5,911 thousand).

11.2 CHANGES IN CAPTION 110 "PROVISIONS FOR RISKS AND CHARGES"

	AGENTS' TERMINATION BENEFITS	PROVISION FOR RISKS AND CHARGES	ALLOWANCE FOR IMPAIRMENT	PROVISION FOR PERSONNEL EXPENSE	TOTAL
Opening balance	**569,916**	**10,767,192**	**1,972,775**	**279,443**	**13,589,326**
Increases	-	2,911,217	13,964	370,500	3,295,681
Decreases	-	(3,518,262)	(45,142)	(279,443)	(3,842,847)
Closing balance	**569,916**	**10,160,147**	**1,941,597**	**370,500**	**13,042,160**

SECTION 12 - Equity - Captions 120, 130, 140 and 150

12.1 COMPOSITION OF CAPTION 120 "SHARE CAPITAL"

TYPES	AMOUNT
1. Share capital	
1.1 Ordinary shares	56,888,798
1.2 Other shares	

The fully paid-up share capital at the reporting date consists of 94,814,664 ordinary shares with a unit nominal amount of €0.60.

12.4 COMPOSITION OF CAPTION 150 "SHARE PREMIUM"

CAPTIONS	TOTAL 31.12.2017	TOTAL 31.12.2016
Share premium reserve	2,273,684	2,273,684
Total €	**2,273,684**	**2,273,684**

The company set up this reserve in 2010 following the contribution of the former Key Client's international licences business.

12.5 OTHER INFORMATION

Composition and changes in caption 160 "Reserves"

	LEGAL	OTHER - EXTRAORDINARY RESERVE	OTHER	TOTAL
POSSIBLE USE (*)	**B**	**A, B, C**	**A, B, C**	
A. Opening balance	**11,377,760**	**206,585,955**	**162,099,538**	**380,063,253**
B. Increases				
B.1 Allocation of profit for the year		241,731,048		241,731,048
B.2 Other increases				
C. Decreases				
C.1 Utilisation				
- to cover losses				
- distributions				
- conversion into share capital				
C.2 Other decreases				
D. Closing balance	**11,377,760**	**448,317,003**	**162,099,538**	**621,794,301**

(*) A: capital increase; B: to cover losses; C: dividend distributions

Composition and changes in caption 170 "Valuation reserves"

	AVAILABLE-FOR-SALE FINANCIAL ASSETS	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS	SPECIAL REVALUATION LAWS	ACTUARIAL GAINS AND LOSSES	TOTAL
A. Opening balance	**3,178,704**	**74,950**	**-**	**1,013,875**	**(623,678)**	**3,643,851**
B. Increases						
B.1 Fair value gains	27,052,596					27,052,596
B.2 Other increases						
C. Decreases						
C.1 Fair value losses		74,950			7,356	82,306
C.2 Other decreases						
D. Closing balance	**30,231,300**	**-**	**-**	**1,013,875**	**(631,034)**	**30,614,140**

Part C - NOTES TO THE INCOME STATEMENT

SECTION 1 - Interest - Captions 10 and 20

1.1 COMPOSITION OF CAPTION 10 "INTEREST AND SIMILAR INCOME"

CAPTIONS/TECHNICAL FORMS	DEBT INSTRUMENTS	FINANCING	OTHER	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Financial assets held for trading					
2. Financial assets at fair value through profit or loss					
3. Available-for-sale financial assets					
4. Held-to-maturity investments					
5. Loans and receivables					
5.1 Loans and receivables with banks			998	**998**	1,355
5.2 Loans and receivables with financial institutions					
5.3 Loans and receivables with customers			21,480,023	**21,480,023**	23,505,869
6. Other assets			87,680	**87,680**	796,660
7. Hedging derivatives					
Total €	**-**	**-**	**21,568,701**	**21,568,701**	**24,303,884**

1.3 COMPOSITION OF CAPTION 20 "INTEREST AND SIMILAR EXPENSE"

CAPTIONS/TECHNICAL FORMS	FINANCING	SECURITIES	OTHER	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Due to banks	33,986,544			**33,986,544**	31,572,235
2. Due to financial institutions					
3. Due to customers					
4. Securities issued					
5. Financial liabilities held for trading					
6. Financial liabilities at fair value through profit or loss					
7. Other liabilities			2,011	**2,011**	405
8. Hedging derivatives					
Total €	**33,986,544**		**2,011**	**33,988,555**	**31,572,640**

The caption comprises:	31.12.2017	31.12.2016
Interest expense on ordinary current accounts	**18,821,792**	14,930,041
Interest expense on revolving current accounts	**12,303,093**	13,445,529
Bank fees and commissions	**2,861,658**	3,196,665
Sundry interest expense	**2,011**	405
Total €	**33,988,555**	**31,572,640**

SECTION 2 - Fees and commissions - Captions 30 and 40

2.1 COMPOSITION OF CAPTION 30 "FEE AND COMMISSION INCOME"

DETAIL	TOTAL 31.12.2017	TOTAL 31.12.2016
1. finance leases		
2. factoring		
3. consumer credit		
- fees and commissions on processed transactions	**687,483,641**	588,207,674
- fees and commissions from cardholders	**167,091,374**	169,530,748
- other fee and commission income		
4. guarantees issued		
5. services:		
- fund management on behalf of third parties		
- currency trading		
- product distribution		
- other		
6. collection and payment services		
7. servicing in securitisations		
8. other fee and commission income (servicing)	**96,876,106**	96,527,572
Total €	**951,451,121**	**854,265,994**

2.2 COMPOSITION OF CAPTION 40 "FEE AND COMMISSION EXPENSE"

DETAIL/SECTORS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. guarantees received		
2. distribution of third party services		
3. collection and payment services		
4. other fee and commission expense		
- fee and commission expense to members	**366,232,170**	309,832,969
- fee and commission expense to banks	**199,972,474**	233,211,608
- other fee and commission expense	**3,567**	(3,329)
Total €	**566,208,211**	**543,041,248**

SECTION 3 - Dividends and similar income - Caption 50

3.1 COMPOSITION OF CAPTION 50 "DIVIDENDS AND SIMILAR INCOME"

	TOTAL 31.12.2017		TOTAL 31.12.2016	
CAPTIONS/INCOME	DIVIDENDS	INCOME FROM OEIC UNITS	DIVIDENDS	INCOME FROM OEIC UNITS
1. Financial assets held for trading				
2. Available-for-sale financial assets	**248,473**		107,700	
3. Financial assets at fair value through profit or loss				
4. Equity investments:				
4.1 for merchant banking				
4.2 other assets				
Total €	**248,473**		**107,700**	

SECTION 4 - Net trading income - Caption 60

4.1 COMPOSITION OF CAPTION 60 "NET TRADING INCOME"

CAPTIONS / EARNING COMPONENTS	GAINS	TRADING INCOME	LOSSES	TRADING LOSSES	NET INCOME
1. Financial assets					
1.1 Debt instruments					
1.2 Equity instruments and OEIC units					
1.3 Financing					
1.4 Other assets					
2. Financial liabilities					
2.1 Debt instruments					
2.2 Liabilities					
2.3 Other liabilities					
3. Financial assets and liabilities: net exchange rate gains		5,235,766		5,788,434	(552,668)
4. Financial derivatives			1,051,432		(1,051,432)
5. Credit derivatives					
Total €		5,235,766	1,051,432	5,788,434	(1,604,100)

SECTION 5 - Fair value adjustments in hedge accounting - Caption 70

5.1 FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING: BREAKDOWN

CAPTIONS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Income from:		
1.1 fair value hedge derivatives		
1.2 financial assets hedged (fair value)	6,519,175	
1.3 financial liabilities hedged (fair value)		
1.4 cash flow hedge: derivatives		
1.5 currency assets and liabilities		
Total income from hedging (A)	6,519,175	-
2. Expenses for:		
2.1 fair value hedge derivatives	5,520,019	
2.2 financial assets hedged (fair value)		
2.3 financial liabilities hedged (fair value)		
2.4 cash flow hedge: derivatives		
2.5 currency assets and liabilities		
Total expense from hedging (B)	5,520,019	-
Fair value adjustments in hedge accounting (A - B)	999,156	-

SECTION 7 - Net profit on sale or repurchase - Caption 90

7.1 COMPOSITION OF CAPTION 90 "NET PROFIT ON SALE OR REPURCHASE"

CAPTIONS / EARNING COMPONENTS	TOTAL 31.12.2017			TOTAL 31.12.2016		
	PROFIT	LOSS	NET PROFIT	PROFIT	LOSS	NET PROFIT
1) Financial assets						
1.1 Loans and receivables						
1.2 Available-for-sale financial assets				278,050,936		278,050,936
1.3 Held-to-maturity investments						
Total (1) €				**278,050,936**		**278,050,936**
2) Financial liabilities						
2.1 Liabilities						
2.2 Securities issued						
Total (2) €						
Total (1+2) €				**278,050,936**		**278,050,936**

The item mainly refers to the capital gain realized in 2016 with reference to the Visa Europe shares subject to the acquisition transaction by Visa Inc .. The item also includes the capital gain deriving from the sale of the Visa Inc. shares already in portfolio

SECTION 8 - Net impairment losses - Caption 100

8.1 NET IMPAIRMENT LOSSES

CAPTIONS/IMPAIRMENTS	IMPAIRMENT LOSSES		REVERSALS OF IMPAIRMENT LOSSES		TOTAL 31.12.2017	TOTAL 31.12.2016
	INDIVIDUAL	COLLECTIVE	INDIVIDUAL	COLLECTIVE		
1. Loans and receivables with banks						
- leases						
- factoring						
- other		64,519			**64,519**	36,980
2. Loans and receivables with financial institutions						
Impaired loans acquired:						
- leases						
- factoring						
- other						
Other:						
- leases						
- factoring						
- other		6,999			**6,999**	15,008
3. Loans and receivables with customers						
Impaired loans acquired:						
- leases						
- factoring						
- consumer credit						
- other						
Other:						
- leases						
- factoring						
- consumer credit						
- loans on pledges						
- other	495,177	939,008			**1,434,185**	2,193,534
Total €	**495,177**	**1,010,526**			**1,505,702**	**2,245,522**

SECTION 9 - Administrative expenses - Caption 110

9.1 COMPOSITION OF CAPTION 110.A "PERSONNEL EXPENSE"

CAPTIONS/SECTORS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Employees		
a) wages and salaries	**33,289,267**	29,620,033
b) social security charges	**8,910,053**	7,204,044
c) post-employment benefits	**148,127**	90,745
d) pension costs		
e) accrual for post-employment benefits	**138,482**	76,972
f) accrual for pension and similar provisions:		
- defined contribution plans		
- defined benefit plans		
g) payments to external supplementary pension funds		
- defined contribution plans	**2,690,888**	2,563,177
- defined benefit plans		
h) other	**24,743,273**	1,452,810
2. Other personnel		
3. Directors and statutory auditors	**785,226**	918,469
4. Retired personnel		
5. Cost recoveries for employees seconded to other companies	**(3,000,516)**	(483,604)
6. Cost reimbursements for third party employees seconded to the bank	**2,253,942**	43,114
Total €	**69,958,742**	**41,485,760**

9.2 AVERAGE NUMBER OF EMPLOYEES PER CATEGORY

CATEGORY	31.12.2017	31.12.2016
Managers	**24**	14
Junior managers	**203**	187
White collars	**259**	275
Total	**486**	**476**

9.3 COMPOSITION OF CAPTION 110.B "OTHER ADMINISTRATIVE EXPENSES"

CAPTIONS/SECTORS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Third party services	**198,807,346**	172,863,645
2. Lease and building management fees	**308,749**	240,188
3. Insurance companies	**1,119,797**	1,096,496
4. Rentals	**2,633,677**	2,547,176
5. Maintenance	**16,541,017**	17,937,224
6. Shipping costs	**20,537,924**	22,085,933
7. Telephone and telegraph	**4,814,430**	4,790,114
8. Cards and accessories	**6,215,037**	8,023,597
9. Printed matter and stationery	**398,842**	323,919
10. Other taxes	**73,065,742**	54,850,645
11. Legal, notary and consultancy services	**22,806,944**	11,741,963
12. Agents' commissions and expense reimbursement	**53,107**	50,782
13. Advertising	**2,442,938**	125,210
14. Promotional materials and competition prizes	**7,711,699**	6,915,122
15. Other commercial costs	**1,561,685**	799,037
16. Other general expenses	**2,165,592**	1,838,229
Total €	**361,184,525**	**306,229,280**

Caption 10. "Other taxes" includes:	31.12.2017	31.12.2016
stamp duty	**55,196,488**	54,190,070
taxes and duties	**17,356,532**	356,279
taxes and duties for prize competitions and transactions	**427,177**	297,953
government tax on mobile phones	**965**	2,392
waste elimination tax	**116,200**	121,936
non-deductible VAT	**(42,314)**	(121,555)
sanctions and fines	**10,694**	3,570
Total €	**73,065,742**	**54,850,645**

SECTION 10 - Depreciation and net impairment losses on property, equipment and investment property - Caption 120

10.1 COMPOSITION OF CAPTION 120 "DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY"

CAPTIONS/IMPAIRMENTS AND REVERSAL OF IMPAIRMENTS	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	REVERSALS OF IMPAIRMENT LOSSES (C)	CARRYING AMOUNT (A + B – C)
1. Property and equipment				
1.1 owned				
a) land				
b) buildings	1,779,758			1,779,758
c) furniture	34,683			34,683
d) operating	19,582,912			19,582,912
e) other				
1.2 under finance lease				
a) land				
b) buildings				
c) furniture				
d) operating				
e) other				
2. Investment property	**270,060**			**270,060**
Total €	**21,667,414**			**21,667,414**

SECTION 11 - Amortisation and net impairment losses on intangible assets - Caption 130

11.1 COMPOSITION OF CAPTION 130 "AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS"

CAPTIONS/IMPAIRMENTS AND REVERSAL OF IMPAIRMENTS	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	REVERSALS OF IMPAIRMENT LOSSES (C)	CARRYING AMOUNT (A + B – C)
1. Goodwill				
2. Other intangible assets				
2.1 owned	8,832,394	5,458,746		14,291,140
2.2 under finance lease				
3. Assets under finance lease				
4. Assets under operating lease				
Total €	**8,832,394**	**5,458,746**		**14,291,140**

SECTION 13 - Net accruals to provisions for risks and charges - Caption 150

13.1 COMPOSITION OF CAPTION 150 "NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES"

CAPTIONS/SECTORS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Accrual to the provision for agents' termination benefits	**0**	0
2. Accrual to the provision for risks	**1,436,064**	2,106,440
3. Accrual to the allowance for impairment	**10,264**	(833,381)
4. Accrual to the provision for personnel expense	**367,942**	200,370
Total €	**1,814,271**	**1,473,429**

SECTION 14 - Other operating income - Caption 160

14.1 COMPOSITION OF CAPTION 160 "OTHER OPERATING INCOME"

CAPTIONS/SECTORS	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Income		
1.1 Income from foreign correspondents	**1,659,235**	553,992
1.2 Revenue for the Club IoSi	**7,254,407**	6,071,284
1.3 Compensation for reckless custody	**48,450**	67,800
1.4 Revenue from services	**152,605,457**	143,020,830
1.5 Revenue from intragroup services	**946,626**	996,886
1.6 Other income	**7,003,592**	8,091,162
1.7 Expense reimbursement for issue of account statement	**18,499,694**	18,425,589
1.8 Expense reimbursement for stamp on account statement	**52,425,691**	51,946,042
2. Costs		
2.1 Losses on irregular transactions due to fraudulent use of credit cards	**(3,558,194)**	(5,030,124)
2.2 Other costs	**(1,572,195)**	(20,494,820)
2.3 Amounts retroceded to banks for POS management	**(14,369,300)**	(15,949,287)
Total €	**220,943,463**	**187,699,354**

The revenue from services mainly relates to the management of POS and ATM terminals. Similarly, the amounts retroceded to banks for POS management consists of the fees paid by the company for servicing activities.

SECTION 17 - Income taxes - Caption 190

17.1 COMPOSITION OF CAPTION 190 "INCOME TAXES"

	TOTAL 31.12.2017	TOTAL 31.12.2016
1. Current taxes	**30,887,055**	62,577,896
2. Change in current taxes from previous years	**(267,616)**	(1,091,866)
3. Decrease in current taxes for the year		
3. *bis* Decrease in current taxes for the year due to tax assets as per Law no. 214/2011		
4. Change in deferred tax assets	**(1,335,072)**	1,039,089
5. Change in deferred tax liabilities	**10,278,532**	(112,663)
Tax expense for the year	**39,562,899**	**62,412,456**

17.2 RECONCILIATION BETWEEN THE THEORETICAL AND EFFECTIVE TAX EXPENSE

IRES	31.12.2017	31.12.2016
Theoretical tax rate	**27.50%**	27.50%
Undeductible costs	**1.0%**	1.51%
Deductible costs and other decreases	**-2.3%**	-19.32%
Effective tax rate	**26.2%**	9.69%

IRAP	31.12.2017	31.12.2016
Theoretical tax rate	**5.57%**	5.57%
Undeductible costs	**2.9%**	1.17%
Deductible costs and other decreases	**-2.5%**	-0.52%
Effective tax rate	**6.0%**	6.22%

Part D - Other disclosures

SECTION 1 - Operations

C. CONSUMER CREDIT

The consumer credit business solely relates to instalment credit cards.

C.1 - BREAKDOWN BY PRODUCT

	TOTAL 31.12.2017			TOTAL 31.12.2016		
	GROSS AMOUNT	IMPAIRMENT LOSSES	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT LOSSES	CARRYING AMOUNT
1. Unimpaired assets						
- personal loans	**6,415,520**		**6,415,520**	7,504,997		7,504,997
- special purpose loans	**212,281,791**	**838,747**	**211,443,045**	217,825,921	800,711	217,025,210
- salary-backed loans						
2. Impaired assets						
Personal loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Special purpose loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Salary-backed loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Total €	**218,697,311**	**838,747**	**217,858,564**	**225,330,918**	**800,711**	**224,530,207**

C.2 - CLASSIFICATION BY PAST DUE DATE BRACKET AND QUALITY

	UNIMPAIRED FINANCING		IMPAIRED FINANCING	
TIME RANGES	TOTAL 31.12.2017	TOTAL 31.12.2016	TOTAL 31.12.2017	TOTAL 31.12.2016
Up to 3 months	**68,619,197**	64,781,063		
From 3 months to 1 year	**119,605,669**	123,063,446		
From 1 to 5 years	**29,633,699**	35,284,015		
After 5 years	**-**	1,401,683		
Open term				
Total €	**217,858,564**	**224,530,207**	**-**	**-**

C.3 - CHANGES IN IMPAIRMENT LOSSES

		INCREASES				DECREASES					
CAPTIONS	OPENING BALANCE	IMPAIRMENT LOSSES	LOSSES ON SALES	TRANSFERS FROM OTHER CATEGORY	OTHER INCREASES	REVERSALS OF IMPAIRMENT LOSSES	GAINS ON SALES	TRANSFERS TO OTHER CATEGORY	CANCELLATIONS	OTHER DECREASES	CLOSING BALANCE
Individual impairment losses on impaired assets											
Personal loans											
- non-performing exposures											
- probable default											
- impaired past due exposures											
- non-performing past due exposures											
Special purpose loans											
- non-performing exposures											
- probable default											
- impaired past due exposures											
Salary-backed loans											
- non-performing loans											
- probable default											
- impaired past due exposures											
Collective impairment losses on other assets											
- personal loans											
- special purpose loans	800,711				38,036						838,747
- salary-backed loans											
Total €	**800,711**	**-**	**-**	**-**	**38,036**	**-**	**-**	**-**	**-**		**838,747**

E. PAYMENT SERVICES AND ISSUE OF E-MONEY

QUANTITATIVE DISCLOSURE

E.8 Operating volumes, number of and revenue from payment transactions

OPERATION CATEGORY	31.12.2017 AMOUNT	31.12.2017 NUMBER	31.12.2017 FEE AND COMMISSION INCOME	31.12.2017 COST RECOVERIES	31.12.2016 AMOUNT	31.12.2016 NUMBER	31.12.2016 FEE AND COMMISSION INCOME	31.12.2016 COST RECOVERIES
- Credit cards	**30,129,031,881**	**372,729,902,922**	**167,091,374**	**70,925,385**	28,848,288,000	340,185,921	169,530,748	70,371,631
- Debit cards	**90,142,636**	**1,178,676,000**						
- Bank transfers								
- Ordered by customers								
- Rreceived by customers								
- Money Transfers:								
- Incoming								
- Outgoing								
- Charges to accounts of customer payments								
- Crediting the accounts with customer payments								
- Collections by payment against notice (MAV)								

E.9 Fraudulent use

OPERATION CATEGORY	31.12.2017 AMOUNT	31.12.2017 NUMBER	31.12.2017 COST BY INTERMEDIARY	31.12.2017 INSURANCE COMPENSATION	31.12.2016 AMOUNT	31.12.2016 NUMBER	31.12.2016 COST BY INTERMEDIARY	31.12.2016 INSURANCE COMPENSATION
- Credit cards	**26,453,195**	**195,110**	**4,852,186**	**-**	29,295,255	235,685	4,466,020	-
- Debit cards								
- E-money								

E.10 Credit cards revoked for insolvency

RISK CATEGORY	31.12.2017 AMOUNT	31.12.2017 NUMBER OF CARDS	31.12.2016 AMOUNT	31.12.2016 NUMBER OF CARDS
- with risk borne by intermediary	**460,811**	**748**	663,170	1,902
- with risk borne by third parties				

QUALITATIVE DISCLOSURE

The company uses the 3D Secure model (Verified by Visa and Mastercard SecurCode) for all its cardholders.

This model is applied when the merchant uses the same system and requires an additional password for e-commerce transactions.
The policy also provides that the merchants use similar protocols.

The company mainly distributes credit and prepaid cards through the banking channel, via the branches of its bank members. It also directly distributes credit and prepaid cards upon request, either through its site or its commercial partners.

Acceptance of payment instruments is guaranteed by the merchant members via the banks or directly through their special sales network. The main merchant categories are supermarket chains, transport, hotels, telecommunications and fuel.

Nexi Payments is active in the credit card sector as both an issuer (financial institution that issues credit cards) and an acquirer (financial institution that authorises merchants to accept transactions paid for by payment cards and/or offers cash advance services).

It is the licensee of the Visa and Mastercard circuits both as an issuer and an acquirer.

In order to carry out its activities, the company has a customised organisational structure which guarantees maintenance and development of its distribution and acceptance network and also manages all the related operating and financial activities by carrying out specific processes which are updated regularly to improve their efficiency and effectiveness.

SECTION 3 - Risk and related hedging policies

3.1 CREDIT RISK

QUALITATIVE DISCLOSURE

1. General issues

Credit risk is the risk that an unexpected variation in a counterparty's credit standing may lead to its default, generating unexpected losses on cash exposures or endorsement credits, or that generates a related unexpected variation in the asset's market value.

Nexi Payments's credit risk relates to how it operates on the market. Its business model for card management activities provides that the credit risk is mostly transferred to the partner banks by signing bank agreements.

Accordingly, it monitors:

1. Issuing through banks: the risk of cardholder default is borne by the banks for the period from the transaction date until the transaction's debit date to the cardholder's account.

2. Direct issuing: the credit risk is borne directly by Nexi Payments and relates to non-payment on the contractually-agreed dates.

3. Receives the funds from the circuits (Visa/MasterCard) for transactions carried out by the holders of credit cards issued by other banks usually two to three business days after the transaction date. Therefore, it is exposed to credit risk vis-à-vis the payment circuits in this period of time.

The other receivables are generated by operating irregularities in the activities of:

- issuing through banks, when amounts can be debited to blocked cards for which the bank is relieved from the related credit risk five days after the block has been communicated;
- acquiring, such as:
  - recharges to merchants after complaints by cardholders or banks for any reason through the charge-back cycle;
  - non-payment of commissions by the merchants.

These types of risks generated by operating irregularities are operational risks.

Activities provided as part of the Issuing and Acquiring of payment cards services to banks with Visa and MasterCard licences do not generate credit risks, nor do the Issuing and Acquiring activities for national debit cards (Bancomat and Pagobancomat) or services to manage the ATM or POS network.

Settlement with the banks takes place through the parent by offsetting value dates.

The direct issue of credit cards only takes place after suitable investigations of the customers and Nexi Payments's fraud and credit management unit continuously monitors credit risk over the period of the credit card's validity. This unit is part of the payment card department (first level controls).

Nexi's AFS portfolio is composed by no. 7,003 Visa Shares C Series (with impact on credit risk), convertible into Visa Shares A series. Visa Shares C Series have a variable conversion factor in accordance with the charges arising from ex-Visa Europe potential liabilities.

Exchange rate risk and price risk have been hedged with a zero cost collar with strike in EUR and underlying Visa Shares A Series.

As at December 31, 2017, the 84% of derivative is classified as hedging derivative (hedging derivatives portfolio) based on the conversion factor of the Visa Shares C Series. This classification affects credit risk.

The 16% of derivative is classified as Trading and affects market risk.

2. Credit risk management policies

Credit risk is monitored constantly, checking that the exposures are within the set budget limits at the beginning of each year. Nexi Payments also carefully rates each new merchant or cardholder in the case of directly issued cards before agreeing new contracts.

The risk management unit monitors credit risk trends and their effect on the risk policy and set range. It prepares monthly and quarterly reports on compliance with the specific limits approved by the board of directors and implements suitable escalation measures when these limits are exceeded. These measures are described in the "Nexi Payments S.p.A. risk quantification limits" document, prepared annually with the first level units and the risk management unit.

The document sets out the reference values and ranges for each first and second level indicator assigned to monitor Nexi Payments's risks, calculated on the basis of analysis of historical series, projections about the company's future performance and that of the market and indications present in the Group's risk policy. These values, calculated to contain risk, are approved by the parent's risk committee and Nexi Payments's board of directors.

The company has specific maximum gross and net insolvency limits and limits to the related cost to check and measure risk. It monitors these limits constantly as well as expected losses compared to actual losses and losses incurred for business reasons.

This credit risk control consists of preliminary checks by the first level units, starting with the analysis of the credit application. It includes:

- internal controls;
- consistency controls;
- positive and negative information from the credit bureau;
- credit scoring algorithms.

Another process relevant for credit risk is the monitoring and recovery of receivables from cardholders and merchants, in order to contain the impact of risk events. The following controls are performed:

- daily monitoring of negative events (unpaid direct debits) using a flag to limit the card's spending limit and possible revoke of the banking counterparties;
- daily checks of the use of cash advances in excess of the maximum contractual limits.

Specific processes exist to recover the different types of receivable:

- out-of-court collection, including phone collection and/or home visits;
- legal proceedings for certain amounts and/or specific reasons.

The credit risk analysis model for directly issued cards uses the historical trends of recorded losses and estimated losses (non-performing positions adjusted by the recovery percentage) normalised by the total exposure for the current month.
Its result is VaR. The analysis considers the historical trends starting from May 2010. The operating management methods for prior year receivables are not consistent with the currently used one and, therefore, they cannot be used as a comparison.

The results of the historical trends analysis are then used to calculate the annual expected and unexpected loss. The expected and unexpected losses, calculated using an annual confidence interval of 99%, are subjected to second level controls described in the Quantitative risk limits document.

With respect to its servicing activities, Nexi Payments does not have credit risks related to receivables due directly from retail customers as it provides issuing servicing and acquiring servicing activities. Therefore, the related credit risk falls on the banks that have the issuing and/or acquiring licences.

In the case of servicing, credit risk refers to the customer banks, that are subject to supervision, and the risk disappears within 30 days (the time period between issue of one account statement and the next) with an average exposure of 15 days. This exposure is borne by ICBPI.

Like in previous years, no significant critical situations were identified with respect to this risk and the defined limits.

Impairment losses are made collectively. Assets are tested for impairment by category and the loss percentages are estimated considering historical figures that allow an estimate of possible losses.

3. Country risk

Country risk is the risk of losses caused by events that take place in countries other than Italy. This concept is wider than that for sovereign risk as it covers all exposures regardless of the type of counterparty involved, be they natural persons, businesses, banks or public administrations.

The company includes country risk as part of credit risk and it is not a significant risk given that Nexi Payments's exposures are solely with international circuits (Mastercard and Visa, both of which have their registered office in the US) as part of the process to settle card transactions. It is thus reasonable to assume that they are very independent of the countries where their head office is in economic terms.

QUANTITATIVE DISCLOSURE

1. Breakdown of credit exposures by portfolio and credit quality

PORTFOLIOS/QUALITY	NON-PERFORMING EXPOSURES	PROBABLE DEFAULT	IMPAIRED PAST DUE EXPOSURES	UNPAIRED PAST DUE EXPOSURES	OTHER UNIMPAIRED EXPOSURES	TOTAL
1. Available-for-sale financial assets					83,174,012	83,174,012
2. Held-to-maturity investments						
3. Loans and receivables with banks					33,603,658	33,603,658
4. Loans and receivables with customers		385,391			2,365,010,698	2,365,396,089
5. Financial assets at fair value through profit or loss						
6. Financial assets held for sale					-	-
Total 31.12.2017	**-**	**385,391**	**-**	**-**	**2,481,788,369**	**2,482,173,760**
Total 31.12.2016	**-**	**1,649,577**	**-**	**-**	**2,442,395,144**	**2,444,044,721**

2. Credit exposures

2.1 Loans and receivables with customers: gross amounts, carrying amounts and past due brackets

	GROSS AMOUNT							
	IMPAIRED ASSETS							
EXPOSURE CATEGORY/AMOUNTS	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	AFTER 1 YEAR	UNIMPAIRED ASSETS	INDIVIDUAL IMPAIRMENT	COLLECTIVE IMPAIRMENT	CARRYING AMOUNT
A. ON-STATEMENT OF FINANCIAL POSITION:								
a) Non-performing exposures	2,217,179					2,217,179		-
- including: negotiated exposures								
b) Probable defaults	3,010,311						2,624,920	385,391
- including: negotiated exposures								
c) Impaired past due exposures								
- including: negotiated exposures								
d) Unimpaired past due exposures								
- including: negotiated exposures								
e) Other unimpaired exposures	2,366,898,828						1,888,130	2,365,010,698
- including: negotiated exposures								
Total A	**2,372,126,317**	**-**	**-**	**-**	**-**	**2,217,179**	**4,513,049**	**2,365,396,089**
B. OFF-STATEMENT OF FINANCIAL POSITION:								
a) Impaired								
b) Unimpaired								
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**2,372,126,317**	**-**	**-**	**-**	**-**	**2,217,179**	**4,513,049**	**2,365,396,089**

Changes in impairment losses by risk category are presented below, showing that the reduction in total impairment losses is due to the smaller percentage of non-performing loans compared to the total portfolio applying the same impairment percentage.

EXPOSURE CATEGORY/AMOUNTS	OPENING IMPAIRMENT LOSSES	DECREASES	INCREASES	CLOSING IMPAIRMENT LOSSES
- Non-performing exposures	2,848,075	1,126,073	495,177	2,217,179
- Probable defaults	3,788,951	2,131,646	967,614	2,624,919
- Other unimpaired exposures	1,916,736	28,606	-	1,888,130
Total	**8,553,762**	**3,286,325**	**1,462,791**	**6,730,228**

2.2 Loans and receivables with banks: gross amounts, carrying amounts and past due brackets

EXPOSURE CATEGORY/AMOUNTS	GROSS AMOUNT					INDIVIDUAL IMPAIRMENT	COLLECTIVE IMPAIRMENT	CARRYING AMOUNT
	IMPAIRED ASSETS							
	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	AFTER 1 YEAR	UNIMPAIRED ASSETS			
A. ON-STATEMENT OF FINANCIAL POSITION:								
a) Non-performing exposures								
- including: negotiated exposures								
b) Probable defaults								
- including: negotiated exposures								
c) Impaired past due exposures								
- including: negotiated exposures								
d) Unimpaired past due exposures								
- including: negotiated exposures								
e) Other unimpaired exposures					206,837,227			206,837,227
- including: negotiated exposures								
Total A	**-**	**-**	**-**	**-**	**206,837,227**	**-**	**-**	**206,837,227**
B. OFF-STATEMENT OF FINANCIAL POSITION:								
a) Impaired								
b) Unimpaired								
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) €	**-**	**-**	**-**	**-**	**206,837,227**	**-**	**-**	**206,837,227**

3.2 MARKET RISK

3.2.1 INTEREST RATE RISK

QUALITATIVE DISCLOSURE

1. General issues

Given the nature of Nexi Payments's business, the exposures are mostly due within one year with minimum exposure to risk, except for those exposures related to revolving cards, which have an average resi dual maturity of 10 months. The mismatching between the issuing and acquiring businesses solely refers to the settlement date and not the value date, which is the same for both amounts credited and debited.

It follows that the company's exposure to this type of risk is substantially immaterial.

QUANTITATIVE DISCLOSURE

1. Breakdown by residual maturity (by repricing date) of financial assets and liabilities

CAPTIONS/RESIDUAL TERM	ON DEMAND	UP TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	AFTER 10 YEARS	OPEN TERM
1. Assets								
1.1 Debt instruments								
1.2 Loans and receivables	2,305,505,617	116,672,064	53,696,201	66,725,735	29,633,699	-		
1.3 Other assets								83,174,012
2. Liabilities								
2.1 Liabilities	2,263,333,006	35,173,239						
2.2 Debt instruments								
2.3 Other liabilities								
3. Financial derivatives								
Options								
3.1 Long positions								
3.2 Short positions					6,571,451			
Other derivatives								
3.3 Long positions								
3.4 Short positions								

3.2.2 PRICE RISK

QUALITATIVE DISCLOSURE

1. General issues

16% of the collar derivative is considered to be Trading and has an effect on the market risk component relating to price risk, which represents the risk of changes in the price of financial instruments dependent on fluctuations in market variables and specific factors of issuers or of the counterparties and which stands out in general risk, deriving from a change in the price of a capital stock as a result of fluctuations in the reference market, and in specific risk, deriving from a change in the price of a spe-cific capital with respect to the market of reference as a result of changes in expectations regarding the soundness of the assets or the income prospects of the issuing.

3.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

1. General issues

The exchange risk is determined on the basis of the mismatches existing between assets and liabilities denominated in foreign currencies (cash and forward), referring to each currency out, originating from positions assumed by the specialistic centers holding market risk, always within the limits and the autonomy assigned.

Nexi Payments does not have substantially foreign exchange risk, since payments and receipts, respectively for transactions to be liquidated or collected on the Mastercard and Visa circuits, are made in Euro.

3.2.4 TRANSFER RISK

The risk of transfer is defined as the "risk that a bank, exposed to a subject that is financed in a currency other than that in which it perceives its main sources of reddito, realize losses due to the difficulties of the debtor to convert his currency into the currency in which the exposure is denominated ".

Consequently, there may be Transfer Risk due to credit exposures in currencies other than the Euro and credit exposures in Euro of subjects placed in jurisdictions where they have legal currencies different from the Euro.

This is not the case with Nexi Payments, as the parties eligible for settlement (both owners and operators) are subject to tax residence in Italy, for which it can be assumed that they can dispose of their liquidity in euro.

QUANTITATIVE DISCLOUSURES

1. Breakdown of assets, liabilities and derivatives by currency

	CURRENCY					
CAPTIONS	**US DOLLAR**	**POUND STERLING**	**YEN**	**CANADIAN DOLLAR**	**SWISS FRANC**	**OTHER CURRENCIES**
1. Financial assets						
1.1 Debt instruments						
1.2 Equity instruments	83,091,327					
1.3 Loans and receivables	-	76,347	656	11,745	4,391	139,934
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities						
3.1 Liabilities	12,523	-	-	2,586	1,550	83
3.2 Debt instruments						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives						
5.1 Long positions						
5.2 Short positions	6,571,451					
Total assets	**83,091,327**	**76,347**	**656**	**11,745**	**4,391**	**139,934**
Total liabilities	**6,583,974**	**-**	**-**	**2,586**	**1,550**	**83**
Difference (+/-)	**76,507,353**	**76,347**	**656**	**9,159**	**2,841**	**139,851**

Derivative instruments

Nexi Payments does not hold innovative or complex financial products.

In order to hedge the risk of a fall in the price and exchange rate of the Visa C Class shares (which are convertible into Visa Series A Shares at a variable conversion factor according to the charges arising from the potential liabilities of the former Visa Europe acquired by Visa Inc.) in the portfolio, a collar was stipulated on a number of shares that does not take into account the discount applied in the balance sheet, but which has a strike such that, from an economic point of view, the payoff of the derivative, in case for the reduction of the equivalent value in Euro of the Class A Shares below the book value, equal to the reduction in the value of the security compared to the hedging target.

3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors, including judicial risk. This risk also comprises legal risk, model risk and the risk related to financial transactions including those related to market risk.

Operational risks include a wide range of risks that can adversely affect the services offered by the company, such as internal or external fraud, employment relationships and occupational safety, business practices, damage to property, business discontinuity, system breakdowns and errors in carrying out and managing procedures.

The company manages this risk using tailored insurance policies and specific monitoring tools for e-money operational risks.

Like all the Nexi Group companies, Nexi Payments has adopted an operational risk framework, which includes an operational risk policy and the RCSA and loss data collection methods as specified by Bank of Italy with respect to prudent supervisory requirements.

The main operational risk to which the company is exposed is the fraudulent use of payment cards for transactions not accepted by the cardholder (who may not necessarily be a Nexi Payments cardholder) due to the compromising of their card and its data (theft, loss, forgery, identity fraud, failure to receive, etc.) involving the company as either the issuer or acquirer.

The company's first and second levels and its risk committee monitor the risk of issuing and ac-quiring fraud closely using the indicators set out in the "Fraud and credit risk quantitative limits" document.

No critical situations were identified compared to the defined limits and the indicators' performance was more than satisfactory.

QUANTITATIVE DISCLOSURE

The following table shows losses caused by operational risks related to use of the company's cards (fraud risk):

	31.12.2017	**31.12.2016**
Losses for fraudulent use of credit cards	**3,558,194**	5,030,124
Total income	**372,466,584**	581,554,351
%	**0.96%**	0.86%

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk). This risk includes the risk of meeting its commitments at non-market costs, i.e., incurring high costs to obtain funding or (and sometimes simultaneously) incurring losses when disinvesting assets.

This risk is borne by the parent, NEXI, that manages, as a bank, its liquidity and the liquidity re-quirements of various group companies. With specific regard to Nexi Payments's requirements, the parent provides it with suitable credit facilities for the funds necessary to cover the time mismatch between payment to the merchants and collection from the cardholders and settlement with the circuits, also for the issuing and acquiring servicing activities.

At present, Nexi Payments has some credit facilities from customer banks, which are used when it requires significant funds (e.g., to cover transactions performed in December).

The treasury and finance unit manages liquidity to ensure financial balance between deadlines and between assets and liabilities in order to avoid overusing current and potential sources of funds.

SECTION 4 - Equity

4.1 Equity

4.1.1 Qualitative disclosure

Nexi Payments's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main tool against unexpected losses arising from the various risks. Therefore, equity availability is an indispensable tool supporting the company's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the company's use of capital and its compliance with capital requirements. These figures are reported with different frequencies to senior management and the board of directors, which are the bodies responsible for deciding, in line with their delegated powers, the methods that the company should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, Nexi Payments forecasts the related effects on equity and their suitability.

Lastly, the company's dividend distribution policies are also aimed at ensuring a suitable capitalisa-tion level, in line with its development objectives.

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

CAPTIONS/AMOUNTS	31.12.2017	31.12.2016
1. Share capital	**56,888,798**	56,888,798
2. Share premium	**2,273,684**	2,273,684
3. Reserves		
- income-related		
a) legal	**11,377,760**	11,377,760
b) statutory	**448,317,003**	206,585,955
c) treasury shares		
d) other - merger goodwill	**-**	158,000,571
- other	**162,099,538**	4,098,967
4. (Treasury shares)		
5. Valuation reserves		
- Available-for-sale financial assets	**30,231,300**	3,178,704
- Property and equipment	**-**	74,950
- Intangible assets		
- Hedges of investments in foreign operations		
- Cash flow hedges		
- Exchange rate gains (losses)		
- Non-current assets held for sale and disposal groups	**-**	-
- Special revaluation laws	**1,013,875**	1,013,875
- Net actuarial losses on defined benefit pension plans	**(631,034)**	(623,678)
- Share of valuation reserves of equity-accounted investees		
6. Equity instruments		
7. Profit for the year	**83,425,355**	329,908,687
Total	**794,996,280**	**772,778,273**

4.1.2.2 Fair value reserves (AFS financial assets): breakdown

	31.12.2017		31.12.2016	
ASSETS/AMOUNTS	FAIR VALUE GAINS	FAIR VALUE LOSSES	FAIR VALUE GAINS	FAIR VALUE LOSSES
1. Debt instruments				
2. Equity instruments	**30,231,300**		3,178,704	
3. OEIC units				
4. Financing				
Total	**30,231,300**	**-**	**3,178,704**	**-**

4.1.2.3 Fair value reserves (AFS financial assets): changes

	DEBT INSTRUMENTS	EQUITY INSTRUMENTS	OEIC UNITS	FINANCING
1. Opening balance	**-**	**3,178,704**	**-**	**-**
2. Increases				
2.1 Fair value gains		27,052,596		
2.2 Reclassification of fair value losses to profit or loss				
- due to impairment				
- on sale				
2.3 Other increases				
3. Decreases				
3.1 Fair value losses				
3.2 impairment losses				
3.3 Reclassification of fair value gains to profit or loss: on sale				
3.4 Other decreases				
4. Closing balance	**-**	**30,231,300**	**-**	**-**

4.2 Own funds and ratios

4.2.1 Own funds

In accordance with the provisions of the Supervisory Instructions, the composition and consistency of the Regulatory Capital differ from those in equity. The main reasons for these differences are briefly recalled:

- unlike the net assets, the regulatory capital does not include the portion of profit to be distributed as dividends;
- the deduction of other intangible assets takes place;
- net capital gains on equity securities available for sale, accounted for under item 170 "Valuation reserves", can be included in the supplementary capital for an amount limited to 50% of the countervalue.

4.2.1.1 Qualitative disclosure

1. Basic equity
It is made up of:

Positive elements: equity excluding the valuation reserve and the share of profits to be distributed in the form of dividends.

Negative elements: other intangible assets.

2. Additional capital
The elements of the supplementary capital refer to the valuation reserves computable according to the prudential filter regulations and the additional 50% of the elements to be deducted.

3. Tier 3 capital
The Company has no financial instruments eligible for Tier 3 capital.

4.2.1.2 Quantitative disclosure

	31.12.2017	31.12.2016
A. Tier 1 capital before application of prudential filters	**160,569,579**	**655,325,272**
B. Tier 1 prudential filters:		
B.1 Positive IFRS prudential filters (+)		
B.2 Positive IFRS prudential filters (+)		
C. Tier 1 capital including application of prudential filters (A+B)	**160,569,579**	**655,325,272**
D. Elements to be deducted from Tier 1 capital	**32,732,684**	0
E. Total Tier 1 capital (C-D)	**127,836,896**	**655,325,272**
F. Tier 2 capital before application of prudential filters	**31,245,175**	**4,267,529**
G. Tier 2 prudential filters	**(15,115,650)**	(1,589,352)
G.1 Positive IFRS prudential filters (+)		
G.2 Positive IFRS prudential filters (-)	**15,115,650**	1,589,352
H. Tier 2 capital including application of prudential filters (F+G)	**16,129,525**	**2,678,177**
I. Elements to be deducted from Tier 2 capital	**32,732,684**	0
L. Total Tier 2 capital (H-I)	**(16,603,159)**	**2,678,177**
M. Elements to be deducted from Tier 1 and Tier 2 capital		
N. Regulatory capital (E+L-M)	**111,233,737**	**658,003,449**

The calculation of regulatory capital includes a total allocation to the profit for the period.

4.2.2 Capital adequacy

4.2.2.1 Qualitative disclosure

The company must ensure that its funds and related capital ratios are consistent with its risk profile and with Bank of Italy's supervisory requirements for payment institutes.

Its competent offices regularly check capital absorption and compliance with the related capital requirements.
They check developments in the company's financial position. The policies for allocation of the profit for the year are designed to ensure adequate capitalisation in line with its the company's de-velopment objectives.

4.2.2.2 Quantitative disclosure

CATEGORY/AMOUNTS	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/REQUIREMENTS	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	**2,643,222,066**	2,451,087,921	**544,531,559**	440,636,936
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**32,671,894**	26,438,216
B.2 Credit valuation adjustment risk				
B.3 Regulation risk				
B.4 Market risk				
1 - Standard method				
2 - Internal models				
3 - Concentration risk				
B.5 Operational risk				
1 - Basic method				
2 - Standardised method				
3 - Advanced method				
B.6 Other prudential requirements			**18,941,832**	16,521,144
B.7 Other calculation elements				
B.8 Total prudential requirements			**51,613,726**	42,959,360
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**860,228,759**	715,989,334
C.2 Common Equity Tier 1 capital / Risk-weighted assets (CET 1 capital ratio)				
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**14.86%**	91.53%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			**12.93%**	91.90%

Following its inclusion in the register of payment institutes (and its concurrent cancellation from the general and special lists of financial intermediaries as per article 107 of the Consolidated Banking Act), the company complies with the reference prudent regulations (Bank of Italy measure of 20 June 2012 "Supervisory instructions for payment institutes" - chapter V).

Payment institutes are required to comply with the following capital requirements:

- for payment services rendered: two alternative calculation methods can be used to calculate the capital requirement that the payment institute shall satisfy for risks related to the payment services rendered. The payment institute usually uses method B (see the following paragraph for more information);
- for credit risk: payment institutes that grant financing calculate a capital requirement equal to 6% of the financing granted; this excludes financing related to the payment transactions for credit cards with monthly payments;
- total (regulatory capital) equal to at least the sum of the capital requirement for payment services rendered and the capital requirement for credit risk.

CAPITAL REQUIRMENT FOR PAYMENT SERVICES RENDERED

Nexi Payments usually uses method B to calculate its capital requirement for risks related to payment services rendered (Bank of Italy measure of 20 June 2012, Chapter V, Section II, paragraph 1.3).

Method B
The capital requirement shall be at least equal to the sum of the payment volumes (PV) as per letters

a) to e) below, where PV is equal to one twelfth of the total amount of the payment transactions performed by the payment institute in the previous year, multiplied by the k graduation factor indi-cated below:

a) 4% of the PV up to €5 million;

b) 2.5% of the PV between €5 and €10 million;

c) 1% of the PV between €10 and €100 million;

d) 0.5% of the PV between €100 and €250 million;

e) 0.25% of the PV above €250 million.

The k graduation factor is equal to:

a) 0.5 when the institute only renders the payment services as per article 1.1.b).6 of Decree no. 11 of 27 January 2010;

b) 0.8 when the institute renders the payment services as per article 1.1.b).7 of Decree no. 11 of 27 January 2010;

c) 1.0 when the institute renders one or more of the payment services as per points 1 to 5 of article 1.1.b) of Decree no. 11 of 27 January 2010.

Given the payment services rendered by the company, the applicable k graduation factor for Nexi Payments is equal to:
1.0 (as the company provides one or more of the payment services as per points 1 to 5 of the An-nex to Directive 2007/64/EC on payment services in the internal market).

SECTION 5 - Comprehensive income

CAPTIONS	GROSS AMOUNT	INCOME TAX	NET AMOUNT
10. Profit for the year	**122,988,254**	**(39,562,899)**	**83,425,355**
Items that will not be reclassified subsequently to profit or loss			
20. Property and equipment			
30. Intangible assets			
40. Defined benefit plans	**(10,146)**	**(2,790)**	**(7,356)**
50. Non-current assets held for sale			
60. Share of valuation reserves of equity-accounted investees			
Items that will be reclassified subsequently to profit or loss			
70. Hedges of investments in foreign operations:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
80. Exchange rate gains (losses):			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
90. Cash flow hedges:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
100. Available-for-sale financial assets:			
a) fair value gains (losses)	29,071,619	2,019,024	27,052,595
b) reclassification to profit or loss			
- impairment losses			
- gains/losses on sales			
c) other changes			
110. Non-current assets held for sale:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
c) other changes			
120. Share of valuation reserves of equity-accounted investees:			
a) fair value gains (losses)			
b) reclassification to profit or loss			
- impairment losses			
- gains/losses on sales			
c) other changes			
130. Total other comprehensive income	**29,061,473**	**2,016,234**	**27,045,239**
140. Comprehensive income (captions 10 + 130)	**152,049,727**	**(37,546,665)**	**110,470,594**

SECTION 6 - Related party transactions

6.1 Fees of key management personnel

Fees due to the statutory auditors and to the directors and managers for the year amount to € 230,465, € 610,165 and € 2.728.62, respectively.

6.2 Loans and guarantees given to/on behalf of directors and statutory auditors

None.

6.3 Related party transactions

The aim of IAS 24 (Related party transactions) is to ensure that an entity's financial statements include the additional disclosures necessary to understand whether its financial position and performance may be altered by related party transactions and balances.

Based on this standard, applied to its organisational and governance structure, Nexi Payment identified the following related parties:

a) the parent company, Nexi S.p.A.;

b) parties that controls Nexi S.p.A., directly or indirectly, also through subsidiaries, trustees or through a third party, even jointly or possesses an interest in Nexi S.p.A. which enables it to exercise significant influence;

c) entities that are controlled or jointly controlled by the above indicated parties;

d) entities that are controlled or jointly controlled or under the significant influence of Nexi S.p.A.;

e) Key Managers of Nexi Payment or its direct or indirect parent companies and entities in which they exercises control, joint control or significant influence;

f) is a close relative of a natural person included in letters b) or e) above;

g) is a collective or individual Italian or foreign supplementary pension fund established for the employees of Nexi Payment or of any other entity related.

The effects of transactions carried out with the related parties identified above are summarised in the following table.

Transactions with the group companies as at: 31.12.2017

FINANCIAL STATEMENTS CAPTION	TOTAL FINANCIAL STATEMENTS CAPTION	PARENT	OTHER GROUP COMPANIES	OTHER RELATED PARTIES	DIRECTORS, MANAGERS AND MEMBERS OF SUPERVISORY BODIES
60. Loans and receivables	2,572,233,316	-	-	-	-
100. Property and equipment	83,188,336	-	-	-	-
140. Other assets	250,906,498	17,231,892	2,201,106	89,632	-
10. Liabilities	2,298,506,245	-1,722,834,204	-	-	-
90. Other liabilities	497,417,238	20,355,266	-6,734,839	-962,658	17,178
10. Interest and similar income	21,568,701	-1,854	-	-	-
20. Interest and similar expense	-33,988,555	18,442,749	-	-	-
30. Fee and commission income	951,451,121	-	-	-	-
40. Fee and commission expense	-566,208,211	3,260,153	-	-	-
110. Administrative expenses	-431,143,267	19,677,941	26,138,231	12,709,868	-
160. Other net operating income	220,943,463	-739,176	-276,665	-69,960	-17,178

Centralised transactions with NEXI group companies are usually governed by specific agreements that, while aiming at optimising synergies, economies of scale and purpose and to use centers of excellence, make reference to objective parameters that are constant over time, characterised by transparency and substantial fairness. Transfer pricing is defined and formalised based on parameters that account for the actual use of the service by each end user.

Other transactions with related parties that are part of the bank's normal business operations, are usually take part at market conditions.

SECTION 7 - Other infomation

Acquisition of MPS and DB business units

On May 31st 2017 Nexi Payments S.p.A. completed the acquisition of Deutsche Bank AG Cards Acquiring business and on June 30th 2017 Banca Monte dei Paschi di Siena S.p.A. Acquiring Services ("MPS and DB acquiring businesses").

The two acquisitions of MPS and DB acquiring businesses are very similar in their nature. Substantially, Nexi Payments purchased relationships with merchants as direct customers, both in acquiring and in POS terminals servicing, earning the power to take relevant decisions, in terms of pricing and eventual closure of relationship.

As the transactions meet the definition of a business combination, they have been accounted for in accordance with IFRS 3: Business Combinations.

This standard defines a business combination as *"a transaction or other event in which an acquirer obtains control of one or more businesses"*, and provides for the consolidation of the assets, liabilities and contingent liabilities of the acquired company at their fair value at the acquisition date, including any identifiable intangible assets not recognized in the acquired company's balance sheet, and the assessment of goodwill as the difference between the aggregation cost and the fair value net of assets, liabilities and identified contingent liabilities. This Purchase Price allocation process has to be performed during the "measurement period" that cannot be longer than one year from the date of acquisition.

At the year end the purchase price allocation process has been completed and, based the stability of the relationships acquired, the undeterminable expiration of the contracts and considering all the relevant internal and external factor, the differences between the price paid and the net equity of the business units acquired, has been fully allocated to goodwill.

The goodwill arising from these business combinations amounts to Euro 565.6 million.

Other information

As requested by IFRS 3, we report below, for the above descripted 2017 business combinations, pro-forma figures of revenue and costs as if the transactions would have been made at the begin of 2017:

DESCRIPTION (€'000)	NEXI PAYMENTS 2017 WITHOUT THE CONTRIBUTION OF NEW BUSINESS (MPS/ DB BOOKS)	MPS AND DB BOOKS H2 2017	NEXI PAYMENTS 2017	MPS AND DB HI 2017 PROFORMA	NEXI PAYMENTS PROFORMA 2017
Operating revenue	**495,421**	**44,702**	**540,123**	**36,821**	**576,944**
Operating costs (net of DA)	-292,289	-18,426	-310,715	-14,159	-324,874
Operating Profit	**203,131**	**26,277**	**229,408**	**22,662**	**252,070**
Depreciation and amortization	-34,920	-200	-35,120	-200	-35,320
Non recurring/extraordinary items	-71,299	-	-71,299	-	-71,299
Pre-tax profit	**96,913**	**26,076**	**122,989**	**22,461**	**145,450**
Income taxes	-30,933	-8,630	-39,563	-7,434	-46,997
Net profit	**65,980**	**17,446**	**83,426**	**15,027**	**98,453**

Parent financial statements

The following table summarises the parent's most recently approved financial statements.

ASSETS (€)		31.12.2016	31.12.2015
10.	Cash and cash equivalents	1,798,761,383	22,366,248
20.	Financial assets held for trading	13,192,948	18,739,435
40.	Available-for-sale financial assets	3,310,329,090	2,605,296,550
50.	Held-to-maturity investments	15,933,025	31,784,286
60.	Loans and receivables with banks	739,377,342	805,417,983
70.	Loans and receivables with customers	1,580,146,508	2,453,453,152
100.	Equity investments	1,611,378,764	520,655,048
110.	Property, equipment and investment property	79,420,818	77,511,583
120.	Intangible assets	313,380,402	83,295,478
	goodwill	*246,663,237*	*14,941,150*
130.	Tax assets	57,040,754	39,924,140
	a) current	*22,494,731*	*8,657,817*
	b) deferred	*34,546,023*	*31,266,323*
	including convertible into tax assets (Law no. 214/2011)	*27,901,043*	*27,183,763*
150.	Other assets	240,162,964	221,872,643
	Total assets	**9,759,123,998**	**6,880,316,546**

LIABILITIES (€)		31.12.2016	31.12.2015
10.	Due to banks	1,100,206,560	1,021,500,220
20.	Due to customers	6,228,122,934	4,523,072,275
40.	Financial liabilities held for trading	8,066,965	4,906,529
80.	Tax liabilities	30,312,954	29,749,326
	a) current	-	-
	b) deferred	*30,312,954*	*29,749,326*
100.	Other liabilities	307,625,558	455,983,796
110.	Post-employment benefits	11,422,388	12,148,762
120.	Provisions for risks and charges	23,560,710	22,909,107
	a) pension and similar obligations	*940,187*	*978,074*
	b) other provisions	*22,620,523*	*21,931,033*
130.	Valuation reserves	62,562,177	69,019,893
160.	Reserves	1,712,312,679	488,012,973
170.	Share premium	148,242,172	148,242,172
180.	Share capital	42,557,370	42,557,370
190.	Treasury shares (-)	-32,196	-32,196
200.	Profit for the period (+/-)	84,163,727	62,246,319
	Total liabilities and equity	**9,759,123,998**	**6,880,316,546**

INCOME STATEMENT (€)		2016	2015
10.	**Interest and similar income**	**54,890,194**	**64,817,739**
20.	**Interest and similar expense**	**-10,875,612**	**-3,400,263**
30.	**Net interest income**	**44,014,582**	**61,417,476**
40.	**Fee and commission income**	**133,448,191**	**132,817,563**
50.	**Fee and commission expense**	**-34,035,511**	**-34,688,687**
60.	**Net fee and commission income**	**99,412,680**	**98,128,876**
70.	**Dividends and similar income**	**95,965,672**	**42,431,013**
80.	**Net trading income**	**4,232,046**	**4,688,652**
120.	**Total income**	**243,624,980**	**206,666,017**
130.	**Net impairment losses on:**	**-2,212,077**	**- 4,704,650,00**
	b) available-for-sale financial assets	*-2,212,077*	*- 226,744*
	c)Held-to-maturity investments	*-*	*- 4,477,906*
140.	**Net financial income**	**241,412,903**	**201,961,367**
150.	**Administrative expenses:**	**-210,167,630**	**-182,567,119**
	a) personnel expense	*-87,167,981*	*-73,904,908*
	b) other administrative expenses	*-122,999,649*	*-108,662,211*
160.	**Net accruals to provisions for risks and charges**	**-1,518,753**	**-1,074,098**
170.	**Depreciation and net impairment losses on property, equipment and investment property**	**-2,216,596**	**-2,239,990**
180.	**Amortisation and net impairment losses on intangible assets**	**-15,152,774**	**-14,087,122**
190.	**Other operating income, net**	**72,590,499**	**70,403,370**
200.	**Operating costs**	**-156,465,254**	**-129,564,959**
210.	**Share of profits (losses) of investees**	**-22,034,742**	**-**
240.	**Net gains (losses) on sales of investments**	**25**	**5,880**
250.	**Pre-tax profit from continuing operations**	**62,912,932**	**72,402,288**
260.	**Income taxes**	**21,250,795**	**-10,155,969**
270.	**Post-tax profit from continuing operations**	**84,163,727**	**62,246,319**
290.	**Profit for the period**	**84,163,727**	**62,246,319**

REPORT OF THE BOARD OF STATUTORY AUDITORS

2017

NEXI PAYMENTS S.P.A.

* * *

BOARD OF STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS' MEETING

(pursuant to art. 2429, paragraph 2, of the Italian Civil Code)

* * *

During the 2017 financial year, the Board of Statutory Auditors performed its supervisory duties within the terms established by current regulations, including regulatory duties. The activity of the Board of Statutory Auditors took place in coordination with KPMG S.p.A., which is assigned with the statutory audit of the accounts.

* * *

Transactions of particular importance - Corporate governance

In the year just ended, significant acquisitions were completed within the Nexi Group.

In June, upon obtaining the necessary authorizations from the competent Supervisory Authorities, acquisitions of the business units relating to the merchant acquiring activities of Banca Monte dei Paschi di Siena and Deutsche Bank Italia were completed.

In July, the 100% acquisition of Bassilichi S.p.A., the parent company of the Bassilichi Group, a specialist in the sector of payments and services for the business, was completed, for which an agreement was signed at the end of 2016.

On 9 February 2017, the Parent Company Board of Directors approved the 2017/2021 Business Plan of the Nexi Group.

The key objectives of the Plan include the revision of the Group's corporate structure to make the legal structure of the individual components consistent with the nature of the business actually performed.

To this end, on 16 October 2017, the Board of Directors of the Parent Company initially approved the overall and general framework of a corporate reorganization project of the banking group controlled by Nexi S.p.A. and the other companies controlled by Mercury UK HoldCo Ltd, aimed at separating, within the Group, the technological and digital payments from the typical ones subject to a specific banking license, in order to overcome the competitive disadvantages with respect to the competitors on the payments market and aimed at increasing their overall efficiency.

On 27 July 2017, the Company Board of Directors resolved to change the name of CartaSi to "Nexi Payments S.p.A.", while that of the Parent Company ICBPI was changed to "Nexi S.p.A." in line with the separation of the electronic money and digital payments activity from that of banking.

Subsequently, on 25 October 2017, the Shareholders' Meetings of both companies, in an extraordinary session, resolved to amend their respective company names with effect from 10 November 2017, consequently adapting the Articles of Association.

On 20 April 2017, the Shareholders' Meeting resolved to appoint Mr. Paolo Bertoluzzo and Mr. Mario Fera as members of the Board of Directors until the approval of the financial statements as at 31 December 2018.

On 27 July 2018, the Company Board of Directors, having acknowledged the resignation submitted by director Luca Bassi, with effect from 27 July 2017, resolved to appoint Mr. Marco Bassilichi by co-optation.

On the same date, the Board of Directors, having acknowledged the decision of Chairman Franco Bernabè, taken in agreement with the Parent Company, to resign, effectively from the end of the session, from the position of Chairman of the Board of Directors of CartaSi S.p.A., continuing to maintain that of a board member, resolved to appoint Mr. Marco Bassilichi as Chairman of the Board of Directors, always as of the end of the session and until the expiry of the mandate.

On 25 October 2017, as already mentioned above, the Extraordinary Shareholders' Meeting resolved to change the company name to "Nexi Payments S.p.A." with effect from 10 November 2017.

On the same date, the Shareholders' Meeting, in an ordinary session, resolved to confirm Mr. Marco Bassilichi as Board Member and Chairman of the Board of Directors, until the approval of the financial statements as at 31 December 2018.

In 2017, in continuity with the transformation process already started and consistently with the guidelines of the 2017-2021 Business Plan, the organizational efficiency improvement activities were completed. In particular, with the changes in the Group's organizational structure implemented in May and November 2017, the Group's organizational model was completed. These changes concerned:

- the centralization of the activities previously managed by the CFO of Nexi Payments in the Parent Company;
- the establishment of the supervision of E-Commerce activities in the Merchant Services BU, and a staff unit dedicated to the development of partnerships in the Electronic Cash Register segment; the separation of the Marketing and Customer Value Management activities to allow greater focus on the aspects of competence;
- the creation of the ATM BU, an integral part of the Payments & ATM BU located in the Parent Company and coordinated by it, oriented to the needs of Banking customers in relation to ATMs;
- the centralization of the Network Banks of Payments Services and the Nexi Tender Office in the Commercial Department. The Department also revised its organizational model

with a view to streamlining network support structures and further strengthening the monitoring of partnerships with banks;

- the review of the internal organization of the Operations Department with the creation of two vertical operational units dedicated respectively to the provision of specific services for merchants (Operations Merchant Services) and specific services for cardholders (Operations Issuing);

- the Mobile Products organizational unit was split into two units dedicated respectively to the Issuing and Merchant Services business lines within the Business Development Department.

Intragroup transactions, with related parties

The Board of Directors adequately reported and illustrated the transactions carried out with the related parties indicated, in accordance with IAS 24, in the Report on Operations and in the Explanatory Notes, to which reference should be made.

It should be noted that the Nexi Group adopted a Regulation on Operations with Related Parties - in compliance with the provisions contained in the Bank of Italy circular no. 263 of 2006 ("New prudential supervision provisions for banks") - in order to oversee the risk that the proximity of certain subjects (so-called "related parties") to the decision-making centres of the company could jeopardize the objectivity and the impartiality of business decisions, with possible distortions in the process of allocation of resources, exposure of the company to risks not adequately measured or controlled, potential damage to the company itself and its stakeholders.

On 19 April 2017, the Board of Statutory Auditors examined a minor transaction with related parties, ascertaining the formal and substantial correctness as well as the benefit and usefulness for the Company and for the Nexi Group, thereby expressing a favourable opinion at completion.

Relations with other Group companies, aimed at optimizing synergies and economies of scale, are governed by specific contractual agreements.

* * *

Activities carried out by the Board of Statutory Auditors during the year

- The Board of Statutory Auditors supervised compliance with the law, the regulatory provisions and the Articles of Association.

- The Board of Statutory Auditors received adequate information, periodically and promptly, from the directors on the activities carried out and on transactions of significant economic, financial and capital importance made by the Company. It is reasonably possible to ensure that the actions resolved and implemented are compliant with the law and the Articles of Association, and are not manifestly imprudent, or risky, or in conflict of interest, or in conflict with the resolutions passed by the shareholders' meeting, or such to compromise the capital position.

- The Board of Statutory Auditors monitored, insofar as it falls within the competence, the scope of the matters that are the subject of operational overlap with the partner banks pursuant to the regulations introduced by art. 36 of the law decree 6 December 2011 n. 201 (so-called interlocking ban) and delegated to the Chief Executive Officer, also referring to the Board of Directors.

- The Board of Statutory Auditors supervised, insofar as it falls within the competence, the adequacy of the organizational structure, which is constantly being improved, the compliance with the principles of correct administration and the adequacy and compliance of the contractual standards agreed for services provided by other companies of the group. This is done by gathering information from the heads of the organizational functions and meetings with the auditing company, for the purpose of the mutual exchange of relevant data and information. In this regard, there are no particular observations to report.

- The functions of audit, risk management and compliance, centralized in the Parent Company, operate for the whole group; the adequacy of the overall internal control system was verified with frequent meetings with the managers of the these functions, with the examination of the reports periodically submitted to the Board of Statutory Auditors, the Board of Directors and the Group Risk Committee (Quarterly Tableau de Bord, progress reports on scheduled actions and annual action plans, etc.).

  In particular:

  - in the meeting of 2 February 2017, the Board of Directors approved the document "CartaSi S.p.A. 2017 Quantitative limits of risks and guidelines" in relation to the Company's activities, with the aim of documenting the methodologies used and the limits of corporate risks;

  - in the meeting of 4 May 2017, the Board of Directors approved a new version of the CartaSí Business Continuity Plan;

  - in the meeting of 20 December 2017, the Board of Directors acknowledged the update of the AML Policy.

- The Board of Statutory Auditors monitored the correct anti-money laundering controls by the Company with periodic meetings with the representatives of the Anti-Money Laundering Function.

- The Board of Statutory Auditors supervised the implementation, by the Company, of the remedial actions and actions identified and suggested by the Audit Department.

- The Supervisory Body, established in the provision of the legislative decree 8 June 2001, n. 231 and whose functions were consolidated in the Board of Statutory Auditors, continued its activity without finding anomalies or reprehensible facts, as shown in the periodic Reports made to the corporate bodies.

- The adequacy of the administrative-accounting system and the reliability of the latter were verified to correctly represent the management facts. This is achieved through the acquisition of information from the managers of the respective functions, the examination of company documents and the analysis of the results of the work performed by the auditing firm, as well as supervising the activities of those in charge of internal control.

- The Board of Statutory Auditors held periodic meetings with the representatives of the auditing firm, exchanging information regarding the company's accounting control activity. In relation to this activity, significant questions and / or critical issues related to the supervision of the financial reporting process did not emerge.

- In addition to the auditing tasks of the annual and semi-annual accounts, the auditing company KPMG S.p.A. and other subjects belonging to the "network" of the auditing company were assigned different tasks other than the statutory audit, in respect of which, in the 2017 financial year, invoices were received for the amounts indicated below:

ENTITA' KPMG	DESCRIZIONE DEL SERVIZIO	CORRISPETTIVI FATTURATI NEL 2017 (INCLUSE SPESE)
KPMG Advisory S.p.A.	CYBER SECURITY SERVICES (SUPPORTO PROGRAMMA DI COMPLIANCE e APPLICATION MAINTENANCE SISTEMA IAG)	101.350
KPMG Advisory S.p.A.	INCENTIVAZIONE PAGAMENTI ELETTRONICI	26.220
KPMG Advisory S.p.A.	PROJECT USURA 7	11.984
		139.554

- The management report for the year 2017 complies with the current regulations, consistent with the resolutions of the governing body and with the results of the financial statements; as already mentioned, it contains adequate information on the activities of the year and on intragroup transactions and with related parties. The explanatory note to part D section 3 contains the indication of risks and related coverage policies, as recommended by the joint documents of Bank of Italy, Consob, Isvap n. 2 of 6 February 2009 and n. 4 of 3 March 2010.

- The financial statements are prepared according to the structure and the schemes required by current regulations. In particular, the financial statements for the year ended 31 December 2017 were prepared in accordance with the instructions issued by the Bank of Italy on 9 December 2016 for the preparation of the financial statements of the financial intermediaries and in accordance with international accounting standards (IAS and IFRS) effective as of 31 December 2017.

- The Report, issued by the Auditing Company pursuant to arts. 14 and 19-bis of Legislative Decree 39/2010, which the Board of Statutory Auditors reviewed, expresses a favourable opinion on the financial statements, the consistency of the Report on operations with respect to the financial statements and its compliance with the law. Furthermore, the report states that the Auditing Company has not found significant errors. The report provides a detailed paragraph concerning information about the activities performed in the context of the audit, including communications to the subjects responsible for governance activities.

- The auditing company declared that, in the provision of art. 17 of the legislative decree 39/2010, there are no causes that could compromise its independence.

- During the year, the Board of Statutory Auditors expressed the opinions required by law, the Supervisory regulations and the Articles of association. Inter alia, the following opinions should be noted:

  - on 15 March 2017, pursuant to art. 2386 Italian Civil Code, for the appointment as director of Mr. Mario Fera in place of the resigning Mr. Riccardo Bruno;

  - on 20 April 2017, for the confirmation of the position of Chief Executive Officer for Mr. Paolo Bertoluzzo and the powers granted to him. On the same date, for the approval of the "Report on the organizational structure" and the "Description of payment services" of the Company;

  - on 27 July 2017 and 2 November 2017, for the appointment of the Chairman of the Board of Directors and the determination pursuant to art. 2389 Italian Civil Code of the relative compensation;

- The Board of Statutory Auditors did not receive any complaints pursuant to art. 2408 Italian Civil Code or depositions.

- The supervisory activity of the Board of Statutory Auditors was acknowledged in the minutes of the 20 meetings held in 2017. The Board of Statutory Auditors also took part in the 10 meetings of the Board of Directors: the documentation supporting the arguments put on the agenda was complete and sent well in advance.

- During the supervisory activity performed and based on the information obtained from the auditing company, no omissions, or reprehensible facts, or irregularities, or, in any case, significant facts emerged such to require the reporting to the supervisory bodies or a mention in this report.

* * *

<u>Supervisory Activities pursuant to art. 19 of legislative decree n. 39/2010</u>

It is recalled that art. 19 of the legislative decree n. 39/2010 identified the supervisory functions of the Board of Statutory Auditors, functions that refer to four areas: financial reporting; internal control, internal audit and risk management systems; statutory audit and nexi

independence of the auditor.

Even if the aforementioned report in part already provides the indications referred to in the above-mentioned art. 19, in particular, it should be noted that the supervisory activity referred to the financial reporting process, the internal control and risk management system, the statutory audit activity and the auditor's independence did not reveal any additional elements to report.

* * *

Proposal to the Shareholders' Meeting

Considering also the results of the activities carried out by the subject responsible for accounting control, the results contained in the report issued on 3 April 2018, the Board of Statutory Auditors does not see any objection to the approval of the financial statements as at 31 December 2017, nor to the allocation of year profits of € 83,425,355 (2016: € 329,908,687) according to the forecasts formulated by the Board of Directors.

The mandate given by the Shareholders' Meeting to this Board of Statutory Auditors expires with the approval of the financial statements for the year ended 31 December 2017. The Board of Statutory Auditors thanks the management and all the company functions for the support provided in carrying out its institutional activities.

Milan, 3 April 2018

The Board of Statutory Auditors

Alessandro Grange, Chairman

Lorenzo Banfi

Paolo Lazzati

REPORT OF THE AUDITING COMPANY

2017

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

Independent auditors' report pursuant to articles 14 and 19-bis of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Nexi Payments S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nexi Payment S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Nexi Payments S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of Nexi Payments S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

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

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Nexi Payments S.p.A. for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report

to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Nexi Payments S.p.A. are responsible for the preparation of the Company's directors' report at 31 December 2017 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's financial statements at 31 December 2017 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the financial statements of Nexi Payments S.p.A. at 31 December 2017 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 3 April 2018

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit

SHAREHOLDERS' MEETING RESOLUTIONS

2018

Shareholders' Meeting resolutions

at 19 April 2018

Below is a summary of the resolutions passed by the Ordinary Shareholders' Meeting, held on 19 April 2018 on first call.

1. FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017; MANAGEMENT REPORT OF THE BOARD OF DIRECTORS; REPORTS OF THE BOARD OF STATUTORY AUDITORS AND THE EXTERNAL AUDITING COMPANY; RELATIVE RESOLUTIONS.
   The Shareholders' Meeting approved the financial statement as of 31 December 2017, as presented by the Board of Directors and the relative assignment of the profit of the financial year.

2. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS AND ITS CHAIRMAN. DETERMINATION OF RELATED FEES; RELATED RESOLUTIONS.
   The Shareholders' Meeting resolved to appoint as members of the Statutory Auditors, until the approval of the financial statement as of 31 December 2020:
   Mr. Piero Alonzo Chairman
   Mr. Alberto Balestreri Statutory auditor
   Mr. Marco Giuseppe Zanobio Statutory auditor
   Mr. Fabio Oneglia Substitute auditor
   Mr. Andrea Vagliè Substitute auditor.

3. DETERMINATION OF THE REMUNERATION FOR THE BOARD OF DIRECTORS FOR FINANCIAL YEAR 2018.
   The Shareholders' Meeting resolved to confirm for the year 2018 the present remuneration of the Board of Directors.

CORPORATE POSITIONS

2018

Corporate positions

at 19 April 2018

BOARD OF DIRECTORS	**Chairman**	Marco Bassilichi
	Vice-Chairman	Antonio Patuelli
	Vice-Chairman	Roberto Romanin Jacur
	CEO	Paolo Bertoluzzo
	Directors	Gabriele Beni Franco Bernabè Francesco Casiraghi Pierpio Cerfogli Simone Cucchetti Mario Fera Maurizio Mussi

BOARD OF STATUTORY AUDITORS	**Chairman**	Piero Alonzo
	Statutory auditors	Alberto Balestreri Marco Giuseppe Zanobio
	Substitute auditors	Fabio Oneglia Andrea Vagliè

SHAREHOLDERS' LIST

2018

Shareholders' list

at 19 April 2018

Nexi S.p.A.	Milan
Banca Popolare di Sondrio S.C.p.A	Sondrio
Banca di Credito Popolare S.C.p.A.	Torre del Greco

Nexi Payments S.p.A.

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