



FACTORING DESK

FINDING GLOBAL AND
LOCAL BANKING
SOLUTIONS



MILAN BRANCH

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BANCA UBAE: MISSION

Our mission has always been to foster financial, trade, industrial and economic relations between Europe and countries in North Africa and the Middle East through financial support to initiatives and trade.




Thanks to our continuous efforts and over 40 years of experience, our Bank has become a dynamic bridge, an effective link between Europe and North African and sub-Saharan countries, the Middle East, the Indian subcontinent and the main CIS countries, assuming a leading position as a dependable player with these countries in the foreign trade market.

OWNERSHIP STRUCTURE

BANKS

Libyan Foreign Bank, Tripoli	80.15%	
Unicredit SpA, Rome	6.60%	
Banque Centrale Populaire, Casablanca	2.85%	
Banque Marocaine Dce, Casablanca	2.65%	
Intesa Sanpaolo SpA, Turin	1.10%	

ITALIAN CORPORATE COMPANIES

Eni SpA, Rome	3.30%	
Sansedoni Siena (Fond.ne Monte Paschi di Siena), Siena	2.25%	
Telecom Italia SpA, Milan	1.10%	

WHAT IS FACTORING?

Factoring is a contract with which the factor acquires and/or manages outstanding receivables and/or future receivables, generally trade-related but they can also be financial in nature (VAT credits or tax credits), claimed by the seller from a pre-established number of debtors with the possibility of obtaining the advance of part or the entire amount of the Receivables, or obtaining- within the individual credit limits established for each debtor - the assumption of the failure-to-pay risk due to default and/or insolvency of the debtors themselves.

The assessment of the debtors' creditworthiness is one of the services, financial and otherwise, included in the factoring process.

In Italy Factoring contracts are regulated by Law 52/91 and the Civil Code.

FACTORING COSTS

Factoring fee

For the management (both recourse and non-recourse) and the guarantee (non-recourse), we charge a fee in advance on the amount of the receivables sold. The management fee varies depending on the type, amount and duration of the risks assumed on the receivables sold.

Ancillary expenses

These are miscellaneous charges paid by the seller (handling, debtor assessment, application processing, postal expenses for the sale) that are fundamentally important because they allow the factor to offer the seller a qualitatively-high service as regards the administration of its receivables portfolio. In order to keep administrative costs as low as possible, relations that allow the computerized management of flows are given preferential treatment.

Interest

The financial cost of the factoring provides for the application of market rates, normally parameterized, and take into account the seller's rating, type and duration of the receivables brokered.

BANCA UBAE'S FACTORING PRODUCTS

A)

- RECOURSE FACTORING
- NON-RECOURSE FACTORING WITH AND WITHOUT NOTIFICATION TO THE DEBTOR
- MATURITY FACTORING
- INDIRECT NON-RECOURSE OR RECOURSE FACTORING
- STRUCTURED TRANSACTIONS

B) NOTE ON THE IT MANAGEMENT SYSTEM USED IN THE BANK

RECOURSE FACTORING (1/2)

For companies that:

- Record an increase in their trade receivables and need to lighten the administrative load deriving from the direct management of their clientele.
- Need to receive payment on their receivables together with the management of the receivables themselves, reducing the days sales outstanding and in-house management costs.

In recourse factoring, the risk that the debtors do not pay or pay only part of the amount remains with the seller. The debtors are normally notified of the sale. The utilization of this service allows the seller to reduce the in-house management costs of its trade and have a source of funding available.

Seller liability

In the event that the individual debtors fail to pay by the due date, the seller must return the amounts received as payment of the receivables sold to the factor, in addition to interest, expenses and fees agreed upon. In transactions in foreign currency, the seller shall be liable for the so-called "exchange risk," i.e. the risk that the value of the position changes due to a change in the exchange rate.

RECOURSE FACTORING (2/2)

Particular operating applications of basic recourse products

- Import/export factoring, Factoring without notification and under contract

Import/export factoring

The operating modalities may concern relations in which the customer is a foreign party with Italian debtors (import factoring) or the customer is an Italian party with foreign debtors (export factoring) or both - sellers and debtors - are both foreign parties (foreign on foreign factoring). In export factoring, the factor may also use its foreign correspondents for the management of the receivables.

Factoring without notification

The seller and the factor may decide not to notify the debtors. In this case, the seller continues to manage the receivables for the factor even with payment in advance.

The use of the service allows the seller to maintain its trade relations with its clientele, in addition to the typical advantages of recourse factoring. The customer is required to pay special attention to the management of the receivables and to forward the collection immediately to the factor.

Factoring under contract

The factor pays money in advance to the seller, against the sale - normally notified - of future receivables regarding individual contracts. Any variations to the standard factoring general conditions, also in relation to special merchandise sectors, specific types of receivables sold and the needs for customizing the service, form the subject of specific contracts or appendices to the standard general conditions.

NON-RECOURSE FACTORING WITH AND WITHOUT NOTIFICATION TO THE DEBTOR (1/3)

For companies that:

Intend to guarantee themselves from the risk of their customers' insolvency and/or are entering new markets, that already use forms of credit insurance or want to improve company ratios.

Factoring transactions with the assumption, by the factor, of the risk (non-recourse) that the debtors do not pay or pay only part of the amount due to the insolvency of the debtors, within the credit ceiling limits agreed upon with the seller for each debtor, with the possibility - by the seller - to obtain, entirely or in part, the payment in advance of the receivables sold. The debtors are normally notified of the sale.

The use of this service allows the seller to reduce in-house costs for the management of its trade receivables, to obtain a guarantee of the payment and to have a source of funding available.

NON-RECOURSE FACTORING WITH AND WITHOUT NOTIFICATION TO THE DEBTOR (2/3)

Seller liability

The seller guarantees the existence and certainty of the receivables sold and therefore the possibility for the factor to collect the full amount of these receivables at the due date, unless the debtor is insolvent.

In the event in which one or more of the guarantees given by the seller within the framework of the factoring contract is nullified and/or the seller fails to meet the contractual obligations, the guarantee of the solvency of the debtors given by the factor no longer has legal force "ex tunc" (in other words, it is as if the credit ceiling for the debtors had never been granted) and, consequently, the factor has the right to demand that the seller repay any amounts already made for the payment of the receivables sold and not yet collected, in addition to the payment of accrued interest, fees and expenses.

The revocation risk for the collection from the debtors remains the liability of the seller. In Forex transactions, the seller is also liable for the so-called "exchange risk," i.e. the risk of exchange rate oscillation.

Particular operating applications of the non-recourse base products

- Import/export
- Without notification
- Under contract

NON-RECOURSE FACTORING WITH AND WITHOUT NOTIFICATION TO THE DEBTOR (3/3)



Import/export factoring

The operating modalities may concern relations in which the seller is a foreign party with Italian debtors (import factoring) or the seller is an Italian party with foreign debtors (export factoring) or both - sellers and debtors - are both foreign parties (foreign on foreign factoring). In export factoring, the factor may also use its foreign correspondents for the management of the receivables or through direct transactions.

Factoring without notification

The seller and the factor may decide not to notify the debtors. In this case, the seller continues to manage the receivables for the factor. There is the possibility of advanced payment. The use of the service allows the seller to maintain its trade relations with its clientele, in addition to the typical advantages of recourse factoring. The seller is required to pay special attention to the management of the receivables and to forward the collection immediately to the factor, also in order to avoid nullification of the non-recourse guarantee.

MATURITY FACTORING

Especially for the following:

Medium/large industrial and/or trade companies that want to stabilize financial flows and optimize treasury management, with a consolidated customer portfolio.

The factor may offer, against the receivables sold, credited to the seller at the date payment is due, the debtor (hereinafter customer) the chance to obtain further payment extension for the original accounts payable, charging it with the financial cost. The payment extension contract disciplines the customer's prior acceptance of the sale of the receivables from the seller to the factor, the duration of the payment extension granted by the factor, the payment methods and the pricing applied by the factor.

Customer liability

When the customer signs the contract, it promises to immediately inform the factor of any and all reservations regarding the receivables sold. If the customer does not immediately inform the factor of these reservations, it shall not be able to invoke said reservations with the factor in the future. Nevertheless, it can always invoke them with its own supplier. The failure to make prompt payment may lead to the revocation of the payment extension and the exclusion from the benefit pursuant to art. 1186 of the Civil Code.

INDIRECT RECOURSE OR NON-RECOURSE FACTORING (1/2)

For the following:

Large and medium-large companies or industrial and trade groups with excellent credit ratings which, in their capacity as debtors, are interested in using factoring with their suppliers, that may:

- Monetize/collect the receivables prior to the due date at preferential pricing and defined in a specific convention or also to simplify their receivables management and collection procedures.

For non-recourse factoring, this product allows the debtor to rationalize its relations with suppliers, optimizing the management and value dates of financial transactions by giving to the creditor the following advantages: channeling and simplifying treasury relations and generate finance, enabling it to benefit from the larger extensions of the date payment due to its suppliers.

INDIRECT RECOURSE OR NON-RECOURSE FACTORING (2/2)

Suppliers' advantages consist in the following:

- Having a form of funding that is complementary to banking credit.
- For non-recourse factoring, having funding that is strictly related to the debtor's credit capacity.
- Trade leverage.

This product provides for the following:

- The supplier who participates in the initiative sells the entirety of the receivables due from the proponent company to the factor, the advance payment of the amount of the receivables and the possibility for the suppliers to receive a guarantee regarding the successful collection of the receivables subject of the sale (in the event of non-recourse factoring).

STRUCTURED TRANSACTIONS (1/2)

For the following:

Large highly reputable multinational companies listed on the stock exchange with the propensity toward the management of net working capital from the viewpoint of efficiency and balance sheet ratios.

The factor shall provide for the determination and concession of a credit line for every debtor proposed by the “selling” company, with 100% hedging of the receivables sold.

The credit line shall be granted subsequent to the assessment of the debtor companies’ solvency on the basis of the following:

- Analysis of the financial statement and banking and trade information as well as the positioning of the debtor company in its business sector.
- The transaction shall be concretized through special contracts that require approval and audit also by an auditing firm.
- The sales of the receivables are usually notified but they may also be made without notification.

STRUCTURED TRANSACTIONS (2/2)

- The sales may be made on a one-time basis, identified directly by a sales contract, or they may be continuing in relation to a number of customers.
- The factor buys 100% of the receivables sold net of fees, interest and any ancillary expenses.
- The purchase of the receivables gives the seller the right to derecognize the financial assets sold in its balance sheet with the consequent significant transfer of the risks and benefits to the factor.
- Subsequent to derecognition, the company writes off the receivables sold in its balance sheet and the factor contextually enters them among its assets.

Immediate advantages for the seller

- Improvement of its Net Working Capital and DSO (Days Sales Outstanding).
- Optimization of its treasury and financial flows, improvement of balance sheet ratios and receivables turnover ratio.
- Significant transfer of risk and benefits (derecognition).

MANAGEMENT SYSTEM

Banca UBAE S.P.A. has selected the **Keystone For Factoring (K4F)** platform by Arcares, an absolute market leader.

Keystone For Factoring is a multiplatform and multi-shared web-based system.

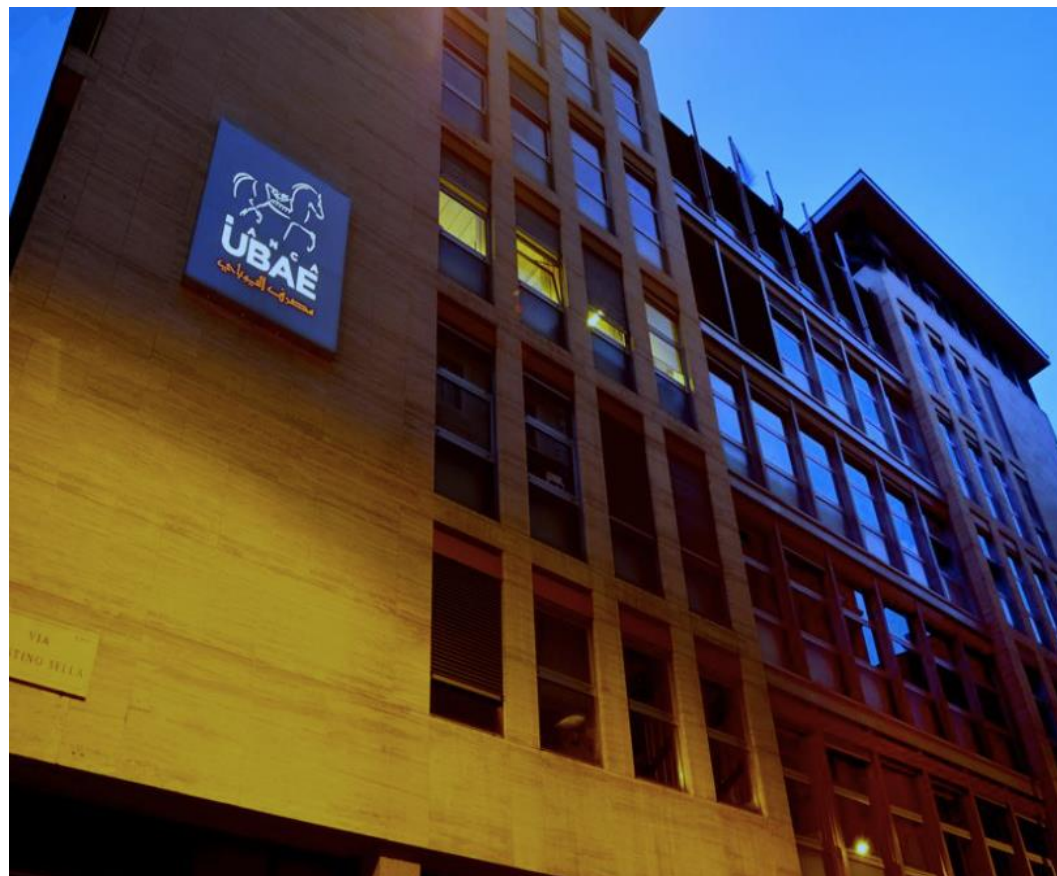
Banca UBAE S.P.A. provides its customers with the K4F remote factoring application that consists in a web interface dedicated to sellers and debtors that allows the customer to directly manage implementing transactions such as the entry of sales, recognition, variation of due dates and the downloading of reports, such as:

- Recording of transfers
- Identification
- Amendment on expiry dates
- Report downloading
- Sole interface for the operation with high flexibility
- Planning and control of operation flows
- Cut in technical timing for the services rendered

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VIEW FROM OUR MILAN BRANCH



For any additional information
please visit our website

www.bancaubae.it

**SWIFT codes to be used: UBAI IT RR
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