Factorit

ANNUAL REPORT AND FINANCIAL STATEMENTS AT DECEMBER 31, 2010

GRUPPO Banca Popolare di Sondrio

Annual Report and Financial Statements at December 31, 2010

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Factorit S.p.A.

Registered headquarters, General Management and Operating Headquarters
Via Cino del Duca 12 – 20122 Milan
Telephone (02) 58150.1 – Fax (02) 58150.205
www.factorit.it

Member of the **Banca Popolare di Sondrio Group**
Listed with the Roll of Banking Groups under no. 5696.0

Tax number, VAT number and Milan Company Registry number:
04797080969
Registered with the lists kept pursuant to Legislative Decree 385/93
under no. 36643 General List pursuant to Art. 106 (U.I.C. – Italian Foreign Exchange Office) and under no. 33042 of the Special List pursuant to Art. 107 (Bankit).

Corporate Capital €85,000,002.00 fully paid-up

Member of Assifact – Association of Italian Factoring Companies

Member of Factors Chain International

ADMINISTRATIVE AND AUDITING ORGANS AND GENERAL MANAGEMENT

Board of Directors

Chairman	Roberto Ruozi
Vice Chairman	Piero Melazzini
Managing Director	Antonio De Martini
Directors	Paolo Franco Croci
	Annibale Ottolina
	Mario Alberto Pedranzini
	Lino Stoppani

Board of Auditors (*)

Chairman	Carlo Bellavite Pellegrini
Statutory Auditors	Pio Bersani
	Flavio Dezzani
Alternate Auditors	Alberto Balestreri
	Mario Vitali

General Management

Marziano Bosio

Auditing Company

Deloitte & Touche S.p.A.

(*) Composition of the Board of Auditors established by the shareholders on March 28, 2011.

DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,

In fiscal year 2010, the most important event for the Company was the previous shareholder's sale of 90.5% of its shareholding, with 60.5% sold to Banca Popolare di Sondrio and the remaining 30% to Banca Popolare di Milano. Banco Popolare retained a 9.5% share through its subsidiary Banca Italease.

This sales transaction brought Factorit into the Banca Popolare di Sondrio Group and initiated a gradual normalization of company activities.

INTERNATIONAL INFORMATION

In 2010, the recovery of the world economy, which grew by about 4.5%, manifested with sharpening disparities: no longer just between East and West, but also within the European area.

Widespread weakness in domestic demand made it necessary to penetrate foreign markets in order to outdo competitors in national performance, and major countries were spurred to manipulate currencies for competitive reasons, thus hindering the readjustment of trade imbalances.

Also contributing to this was the fact that a fiscal stimulus was impossible for countries burdened by heavy deficits: there was a lively debate between champions of austerity and those who asserted that a recovery could only be achieved through renewed growth.

Monetary policies were not uniform. They were already restrictive in some emerging areas, while the strategy continued to be ultra-expansive in areas where persistent unemployment kept down the inflationary effect of higher prices for oil and other raw materials. Precious metals were also more expensive; gold, for example, reached a new record of 1,420 dollars an ounce on December 7.

While not immune from difficulties, with an unemployment rate of 9.3% in November, the United States remains a generator of global development. Unlike other areas, the growth in GNP of +2.9% in the first nine months of 2010 (the reference period unless otherwise specified) was completely domestic in origin, with a return on growth in consumption (+1.4%) and investments (+2.8%), as well as a replenishment of inventory of 1.7%. The foreign trade imbalance, however, was aggravated by the export dynamic (+12.7%), which was lower than imports (+13.2%). Government intervention, while limited by a federal deficit of over 10% of production, offset the ensuing depressive effect caused by the need to put a brake on private debt. Meanwhile, reassured by inflation only slightly over 1%, the Fed's stimulus plan is flooding the system with over 600 billion dollars in liquidity. While its plan may also be aimed at devaluing the dollar, this would be justified by the desire to prevent the fruits of this effort from dissipating to the benefit of areas whose currencies are kept low through deliberate policies (the yuan) or financial indiscipline (the euro).

The GNP of neighboring Canada has shown a similar development (+3%), while Mexico, the link to Latin America, shot up by 5.8%. Father south, Brazil and Argentina surged at the respective rates of +8.4% and +9.1%, moving sharply ahead of Chile (+5.1%).

In Asia, China, the world's locomotive, shows aspects which are the polar opposite of the USA: its extraordinary 10.6% growth is based on a massive trade surplus that the government in Beijing does not intend to give up for now, although worries about overheating prices (5.1% in November) have caused it to undertake restrictive monetary measures. The fact that China has increasingly less leeway to opt out of global rebalancing is demonstrated by its recent offers of support for European sovereign debt. This was not due to disinterested solidarity, but was an attempt to protect the businesses in which the Chinese invest their immense export capital.

The economy of India grew by 8.8%, while inflation was combated with some success, dipping below 10% by October.

The real news was the reawakening of Japan. After the nosedive of over 6% in 2009, product rose by 4.7%, which helped it emerge from protracted deflation and brought the unemployment rate to under 5%. This was not just due to the performance of the Far East itself, as can be seen in the striking gap between goods sold (+29%) and goods purchased (+10%) beyond national borders; the domestic component was in fact "adulterated" by collective consumption (+2.4%) which is ill-suited to the burden of a public debt of more than 200% of GDP.

Neighboring countries also showed significant signs of growth: Indonesia +5.9%, Korea +6.6%, Hong Kong +7.1%, Malaysia +8.1%, Thailand +9.2%, Taiwan +12.1% and Singapore +15.8%.

Considering the performance demonstrated in Brazil, India, and China, it appears that Russia (+4.2%, which is still appreciable at mid-year) is the weakest member of the BRICs.

Only by virtue of an accumulation of inventories did Europe – both the group of 27 European Union member countries and the Eurozone group of 16 (now 17 with the addition of Estonia) – achieve a modest growth of 1.6%, which was not enough to bring unemployment below 10%. There were significant differences among individual results. Outside the Eurozone, Poland (+3.9%) and Sweden (+4.7%) had excellent results, while within the Eurozone, Slovakia (+4.4%) and above all Germany (+3.9%) did well.

For Germany, the productivity of labor, sustained by technological innovation and wage moderation policies, made it possible to keep unemployment below 7% and inflation a little over 1%, while still preserving the integrity of the federal budget and expanding the foreign surplus.

The other two giants of the European Union were in the middle of the pack: France (+1.5%) and the United Kingdom (+1.4%). Spain's problems (-0.4%) have been confirmed, while the slump in Greece (-3.7%) is due to its well-known financial crisis.

During the fall, difficulties with sovereign debt spread to other countries, such as Ireland (which must grapple with rescuing banks that are disproportionately large compared to the size of the country), Spain, and Portugal, which along with Greece are the four countries that have significant deficits in their current accounts. Doubts regarding the sustainability of their accounts have caused the yield spreads between government securities and the German Bund to soar. Only the implementation of credible intervention plans from the EC, including intervention from the International Monetary Fund, managed to restore a bit of calm.

With such austerity required to restore the public finances of many countries, to avoid suffocating the fragile recovery the European Central Bank has been persuaded to postpone the withdrawal of expansive measures in place and begin supporting non-conventional measures, such as the purchase of government securities, that have required a corresponding strengthening of assets. This was possible due to inflation that, while rising from 0.9% to 2.2%, is still compatible with the monetary authority's objectives.

Switzerland reported growth of 2.6%. Moreover, even in 2009 the Swiss system had weathered the crisis well, and the current result is not so much based on public spending (+0.2%), but more accurately on private consumption (+1.8%) and investments (+4%). During the period, there was a positive differential between the development of export (+9.8%) and of import (+7.6%), although the situation reversed itself due to the more recent strengthening of the franc.

The unemployment rate thus dropped from record levels (for this virtuous country) in January (4.5%) to a lower rate in November (3.6%). Inflation, which has returned to more than zero in recent months, hitting 1.4% in March, then settled at only slightly above zero (0.2% in November). The Swiss National Bank therefore took no measures on official rates, which are already at a minimum.

ITALIAN SITUATION

We are experiencing a fragile recovery. Italian GDP is not expected to return to 2005 levels until late 2013.

In 2010, GDP grew by 1%, thanks to a rebound in investments (+2.5%), sustained by confidence from companies, before industrial production slowed from 9.7% in August to 2.9% in October. The contribution from consumers was limited, with increased spending of only a modest 0.7%.

A sore point is the continued unemployment rate, which dropped from 9.1% in the first quarter to 7.6% in the third, but has recently become more acute, rising to a record 9.3% in October.

A gradual return of inflation also contributed to the pressure on available family income – inflation rose from 1.1% in December 2009 to 2.1% in December 2010, a rate which is nevertheless unusually lower than the average for Eurozone countries, albeit by only a tenth of a percentage point.

The negative contribution of foreign trade can be seen in the deficit compared to the corresponding period in 2010, rising from 5.7 billion in the first eleven months of 2009 to 24.6 billion, of which 5.7 billion is with EU countries and fully 18.9 billion is with non-EU countries.

There was also little impact from public spending (-0.4%), in a climate dominated by worries regarding the balance of national accounts: the ratio between net indebtedness and GDP should not shift much from the 5.3% of the previous fiscal year, although government sector needs declined by Euro 19.3 billion, settling at only 67.5. The amount of debt, which increased even from 2009 (to 116%), should become even worse, settling around 119%, more than what the Government anticipated in its "Public Finance Decision."

Through Decree Law 78/2010, approved in July, a 2012 deadline was set to bring the deficit below 3%, while the Stability Law launched in December does not change the final balance but does provide support measures for the economy, financing it through reductions in other expenditures, renewing efforts to combat tax evasion, and significantly relying on the proceeds anticipated from the sale of use rights for radio frequencies.

At present it is difficult to make predictions on Italy's future capacity for growth, and Italian GDP is not expected to return to 2005 levels until the end of 2013.

FACTORING: THE GLOBAL MARKET

The growth in international trade, correlated to the expanding phenomenon of economic globalization, offers a global opportunity for the factoring market. The product is increasingly considered a vital factor for the needs of small and medium-sized enterprises and is quite familiar to both industrialized countries and developing ones; it has the support of government institutions and central banks all over the world; and almost all the major banks provide it to customers through specialized companies.

Since its inception, Factorit has operated on international markets with a specific line of products and a division specialized in handling sales of receivables arising from import and export supplies. The Company does a significant amount of business in assisting import and export firms, both by intervening directly in foreign markets and by using foreign correspondents in the FCI (Factors Chain International) network, of which it is a member.

Today FCI manages more than 80% of world volumes in international factoring and connects over 250 companies in 65 countries.

In 2009, according to the most recent report available, FCI members processed over 107 million invoices, issued by 140,800 supplier companies to 4.5 million of their client companies. In the same year, these companies in the network brokered trade receivables for a total market value of Euro 1,284 billion, of which Euro 1,118 billion were on domestic markets and Euro 166 billion on international markets.[1]

Globally, Italy is in third place in amount of receivables sold (domestic and international), after the United Kingdom and France, and is followed by Spain, Germany, the United States and Japan.

According to preliminary data from the FCI,[2] in 2010 import/export receivables sold through the trading system between foreign correspondents in the network grew by 46%. This massive growth was powered by the principal exporting countries: China (+66%), Taiwan (+57%), Turkey (+54%), Hong Kong (+46%), and Greece (+60%, despite the crisis that rocked the country).

Of the importing countries, the USA, Germany and the United Kingdom showed growth in line with the FCI average of 46%, but better results were achieved by France (+84%), Italy (+80%), Taiwan (+78%) and China (+51%).

These reports express volumes only for sales brokered through the FCI's online platform, edifactoring.com; complete data will be available in late March 2011.

FACTORING: THE DOMESTIC MARKET

The size and performance of the factoring market in Italy is usually correlated to the size and performance of Gross Domestic Product, with a proportion that has settled around 7.5% over recent years.

The current performance of GDP and future growth estimates reflect an extremely limited, difficult recovery that is not significant in percentage terms.

Despite these unfavorable figures, the results of the Italian factoring market in 2010 show a sustained growth in volumes that has characterized performance in the sector throughout the year. The principal indicators signal a

1 Source: FCI Annual Review 2010

2 Source: FCI Press Release, January 4, 2011

strongly positive trend: according to the most recent reports of the trade association Assifact, the year 2010 ended with a total turnover of Euro 136,756 million (+15.7%) in receivables sold; at 12/31/2010 outstanding receivables came to Euro 50,818 million (+15.1%); advances and consideration paid came to Euro 39,259 million (+17.0%).[3]

Table 1. Performance of the Factoring Market in Italy

	2007	2008	2009	2010
Turnover	114,684,598	121,935,932	118,042,144	136,755,784
Outstanding	38,315,931	42,078,268	43,999,021	50,817,961
Advances	25,953,215	31,125,332	33,482,288	39,259,127
Advances on Outstanding	67.7%	74.0%	76.1%	77.3%

(figures in thousands of euros)

The recovery is expected to consolidate in 2011, reversing the negative results that distinguished 2009, although it will be affected by persistent weakness and the emergence of potential risks that could result in a further slump. Still, forecasts on the development of the factoring market signal that operators are showing confidence in a positive scenario.

For a better understanding of this positive development in the factoring market, it is necessary to consider the effect of other aspects in addition to the performance of GDP. These are related to both the economic cycle and its various effects on companies, and to the strategies of major operators and banks which are the result of such.

Factoring, especially in recent years, has stepped in to support companies, and has permitted an efficient management of working capital, particularly in the case of significant payment extensions. It has been a vital financing channel for the Italian production system. In addition, the rates charged to companies have stayed lower than for other specialized forms of credit financing.

The market also remains characterized by a large number of receivables acquired without recourse, which confirms that factoring has met companies' need to protect themselves from the risk of bad trade receivables. Factors have also been able to manage and monitor the performance of the debtor portfolio for their own customers, with fewer non-performing receivables reported compared to the system.

[3] Source: Assifact. Statistics: Factoring market at 12/31/2010 (Feb. 9, 2011 report)

One of the main aspect related to the growth in the demand for factoring concerns the possibility to transfer receivables that companies claim from the public sector. The Public Administration now favors such measures to resolve problems related to maintaining the expense parameters set out in stability agreements.

The market is still characterized by a high degree of concentration, and the significant increase in total volumes is driven by companies that belong from large banking groups. The top six operators account for 76% of the entire market.

Table 2. Performance of Turnover Volumes and Market Shares for Primary Operators

Company	Turnover 2007	MS 2007	Turnover 2008	MS 2008	Turnover 2009	MS 2009	Turnover 2010	Turnover 2010
Intesa Mediofactoring	25,610,391	22.3%	26,124,662	21.4%	26,996,831	22.9%	33,685,916	23.9%
Ifitalia (BNL Paribas)	17,132,539	14.9%	22,246,786	18.2%	22,192,413	18.8%	23,930,356	17.9%
Unicredit Factoring	15,442,527	13.5%	18,514,634	15.2%	18,751,071	15.9%	20,809,911	15.3%
Factorit	**18,141,822**	**15.8%**	**13,661,229**	**11.2%**	**11,491,300**	**9.7%**	**11,340,559**	**8.3%**
UBI Factor	4,351,309	3.8%	5,511,069	4.5%	4,464,234	3.8%	7,526,010	5.7%
MPS L&F	5,152,970	4.5%	5,826,173	4.8%	5,445,166	4.6%	6,608,490	4.9%
Total Market	**114,684,598**	**74.8%**	**121,935,932**	**75.3%**	**118,042,144**	**75.7%**	**136,755,784**	**76.0%**

(figures in thousands of euros)

Therefore, major operators follow the strategy promoted by the bank of reference, which is intended to utilize factoring to shift its lending from traditional technical forms to the form of selling the receivable to the factor, which changes the technical manner of assisting with the financing of working capital.

Price policies, product strategies and risk containment further boosted the growth of leading operators.

Factoring has proved to be an instrument available to the banking system that permits greater awareness of the customer’s risk profile.

- Factoring operations are governed by specific regulatory instruments, in particular the legal system of the Sale of Receivables (Law 52/91 and articles 1260-1267 of the Italian Civil Code).
- The receivables sold are trade receivables (receivables derived from the supply of goods or services against extended or deferred payment) and not financial receivables (receivables tied to money loaning relationships).
- The factoring company establishes ongoing relationships with both the supplier-seller and with the debtor-transferee: the reliability of both parties is evaluated, and in the case of non-payment, action can be taken against the debtor.

Factoring operations are based on the acquisition of entire portfolios of trade receivables, and thus offer a "diversification benefit" to the intermediary due to the fact that repayment of the financing is based on compliance by a multiplicity of trade debtors even if the intermediary is exposed to a single seller.[4]

During the crisis, the quality of receivables worsened. Nevertheless, in 2009 the number of gross non-performing receivables more than doubled in leasing (from 2.2% to 4.7%), increased slightly in factoring (from 2.5% to 2.9%) and almost doubled in consumer credit (from 3.9% to 6.7%). The total incidence of impaired receivables (gross of write-offs), which include watchlisted and overdue receivables, reached elevated levels in leasing (from 4.5% to 12%) and in consumer credit (from 7.1% to 10.5%); it remained relatively limited in factoring (from 3.7% to 4.6%).[5]

An observation of market dynamics also seems to confirm that leading banks are tending to return to a "territorial policy" that also includes assistance from factoring companies as part of a collaborative effort to "do banking" for businesses.

By focusing their strategy on their own factors, banks seem intent on stabilizing and consolidating their own flow of "commercial" work, after an era of favoring the financial component.

[4-5] Source: Il credito Specializzato: Funzioni, rischi, azioni di vigilanza (Specialized Credit: Functions, Risks, Regulatory Actions) – A.M. Tarantola, Banca d'Italia. September 23, 2010

CORPORATE PERFORMANCE

On February 25, 2010 the Administrative Organs of Banca Popolare di Sondrio, Banca Popolare di Milano, Banco Popolare, and Banca Italease approved a contract for the sale of 90.5% of the capital of Factorit S.p.A.

To this end, during the first part of the year the advisor completed the accounting and legal due diligence in order to produce the data and documents necessary to conclude the transaction.

On July 29, the Company's share certificates were transferred and the Shareholders' Meeting appointed the new Board of Directors and Chairman. On August 24, the Board appointed the Vice Chairman and the Managing Director.

Banca Popolare di Sondrio and Banca Popolare di Milano signed an agreement regarding the governance of Factorit. The shareholders also assumed obligations for purposes of distributing Factorit's products and services through their respective network of branches. In any event, Factorit will continue to avail itself of trade agreements with other placing banks.

On September 27, 2010 the Board of Directors, with the consent of the Board of Auditors, resolved to appoint the "Director's contact person responsible for preparing the company's accounting documents."

Summary of Company Results

Although the scenario is difficult, discontinuous and highly competitive, your company held onto its position as one of the market's leading operators. Its brand is still one of the best known and respected in the sector, and occupying a stable fourth place, it continues to be an influential player, with a share of about 8.3%.

Total turnover during fiscal 2010 came to Euro 11,341 million, a decrease of 1.3%.

The Company maintained its market position due to its continued ability to handle the needs of corporate customers through an offer that is increasingly aimed at customizing its services. Most of its offer is a good balance of products based on traditional technical forms (old factoring and guarantee only) and more structured products such as maturity and without recourse.

Business performance and economic results encountered some difficulties, particularly in the first half of the year, with an effect on overall results.

The Company has finally emerged from a recent past of uncertainty and discontinuity that only concluded at the end of July, when the transition to the new shareholding structure was completed. There was an impact from problems related to the performance of financial markets and the concentration of credit risk as a result of the credit policies of the then Parent Company Banco Popolare, which created various problems that affected performance of the credit portfolio. In terms of new production, the lack of a significant business presence in the region and an organizational structure that no longer met changed market needs had a negative impact.

Following the July 29 Shareholders' Meeting, it was possible to gradually bring loan approval activity back to normal and once again focus attention on business relationships with distributor Banks.

With a situation strongly affected by the Company's recent transition phase, business activity generated satisfactory results in terms of earning margin, settling at Euro 59.1 million, even with a drop in volumes produced (-1.3%) and, even more significantly, in average lending (-8.0%). A major factor in achieving this result was the services margin (commissions), which held steady, a testament to the quality of the service provided.

Operating profitability benefited from a slight decrease in costs, equal to -2.2%, achieved by a focus on containing administrative expenditure.

Before tax results of Euro 17.2 million were affected by net adjustments in value for a total of Euro 26.9 million (Euro 21.9 million in 2009), the result of the impairment of several positions due to the recession.

The Company ended the fiscal year with a net income of Euro 10 million.

Operating Events

During the first few months of the year, after Banca Italease and Itaca Service contributed business branches on December 31, 2009, treasury, administration and accounting activities, organizational supervision and information technology were gradually added to business processes again, in order to guarantee the proper functioning of the Company after leaving Banca Italease.

During the second part of the year, with the new ownership structure, Factorit took all steps necessary to complete its integration into the new Banking Group and embarked on a project to reorganize the business structure, with the goal of improving its presence in the territory and relaunching business activity.

New Credit Regulations were issued in order to harmonize decision-making powers with those of the Parent Company. With the involvement of all company functions, actions were taken to set up the Company's governance according to the Parent Company's models.

After Banca Popolare di Sondrio acquired control of the company, outsourcing agreements were concluded with the Parent Company and Unione Fiduciaria for various services that were formerly managed by Banca Italease.

- The Planning and Control and Risk Management services are outsourced to BPS (Planning and Management Controls Service).
- The Internal Audit service is outsourced to BPS (Inspectorate Service).
- The Fiscal service is outsourced to Unione Fiduciaria (Legal area).
- The General Affairs service is outsourced to Unione Fiduciaria (General Affairs Area/Corporate Secretary's Office).
- The Compliance service is outsourced to Unione Fiduciaria (Bank Consulting Area).

The contracts with Banca Italease for the supply of services related to Resources Administration and Facility Management were extended to December 31, 2010, while a contract with Itaca Service, valid until June 30, 2011, was entered into for the supply of information technology services which are not handled in-house (telephony, networks and systems).

In October, the process of reorganizing the commercial structure was started, focusing on a decisive relaunch of activity by means of changing the distribution model, which is now centered on the networks of Shareholder Banks.

In order to boost development activity in bank channels and effectively monitor the territory, General Management was given the task of managing accounts acquired, and resources were freed up to support sales activity, by significantly simplifying the structure and streamlining sales processes.

The Business Development and Distribution Channels Service, which is in the General Management service, became the sole coordinator of Commercial Affiliates.

In December, the transfer of company headquarters was completed, moving them from Via Sile to the location on Via Cino del Duca 12.

Regulatory Compliance

Procedures were promulgated to govern operations required by the implementation of the European PSD (Payment Service Directive). These operations went into effect on March 1 for bank transfers and other payment instruments, and on July 5 for governance of collection services.

Contemporary with the entry into effect of Bankitalia regulations, the new handling of Past Due and Objectively Impaired Exposures was established, with particular attention to operations with the Public Administration. New parameters were also approved for purposes of Regulatory Activity and the Financial Statements.

Processes related to Regulatory Provisions on “other sales” and overdue accounts from 90 to 180 days were also reviewed.

Parameters were determined that contribute to forming the base threshold rate for usury law reporting purposes.

Company information systems management applications were implemented in order to comply with the obligation to include the ATECO code beginning on June 30, 2010, as established by Bankitalia; additional precautions regarding usury; updating anti-money laundering regulations; separate management – for purposes of financial statements and reporting – of receivables sold “outside the purview of Law 52/91.”

Distribution Channels

In terms of relationships with partner banks as of December 31, 2010, following the notice of cancellation in June, the collaborative relationship with Gruppo Credito Valtellinese, through which the Operating Agreement for Factoring was concluded in December 1990, was terminated.

Banco Popolare reported the December 31, 2010 sale of Cassa di Risparmio di Pescara to TERCAS (Cassa di Risparmio di Teramo); contacts have been initiated to evaluate the possibility of continuing and extending the relationship to the new banking Group as well.

On November 7, 2010 the Agreement for Factoring Operations was signed with Banco delle Tre Venezie. The collaboration between Factorit and Banco delle Tre Venezie, which has headquarters in Padua, will focus on seeking out mutually satisfactory business opportunities and acquiring customers from the region’s SME community.

Finally, a collaboration agreement is being formalized with Cassa di Risparmio di Orvieto (Banca Popolare di Bari Group).

On January 1, 2011, the Company had 74 factoring agreements with an equal number of banking institutions.

Business Performance

In a fragile and uncertain economy and a very competitive market, Factorit has nevertheless held onto its position among the leading companies in the sector, confirming its role as a reliable and qualified operator.

The Company's business performance was hindered by difficulties, especially for new production, that were primarily the result of an organizational structure which no longer met the market's changing needs, the uncertainty and discontinuity of the recent past, and, in the first half of the year, the credit policies of the Parent Company Banco Popolare.

The decline in business activities in certain historically strategic sectors, such as Tourism, Automotive and Large Scale Retailing, also contributed to the drop in general volumes, even after a gradual disengagement from various counterparts who showed signs of especially severe problems.

During the last quarter of the year, we saw a significant recovery in volumes, aided both by the economic climate, which encourages companies to use factoring services, and by the positive effect of developing new customers following the Company's newfound stability.

The volume of receivables sold came to Euro 11,341 million, only a 1.3% decrease compared to the previous year.

Table 3. Quarterly Trend in Turnover

Factorit	2009	2010	Difference 2010/2009
I Quarter	2,543,732	2,732,320	7.4%
II Quarter	2,963,334	2,840,403	-4.1%
III Quarter	2,800,241	2,690,629	-3.9%
IV Quarter	3,183,993	3,077,207	-3.4%
Total Turnover	**11,491,300**	**11,340,559**	**-1.3%**

(figures in thousands of euros)

The stability of turnover and the limited drop in average lending helped limit the decline of the earning margin. This margin was affected by the decrease in the financial margin, which was generated primarily by the drop in the number of loans derived from extensions granted to debtors within the sphere of DDAY product (maturity factoring with extension to debtors) and the combined effect of the drop in interest rates.

In the context described, the Company continues to carefully monitor the average rotation of brokered receivables, always favoring intermediation of the fastest moving ones. Moreover, the macroeconomic picture also makes it necessary to keep focusing on the assumption and management of existing risks, in order to return the level of impaired assets to a healthy one.

From the economic perspective, the financial spread charged to customers continues to be protected, with a relative appreciation in the services margin (commissions).

With regard to the concentration of counterparty risks, efforts are always modulated in sectors with the highest risk priority numbers.

Operating Data

Table 4. Operating Data

	2009	2010	Difference 2010/2009
Turnover	11,491,300	11,340,559	-1.31%
of which without recourse	6,824,446	7,094,396	3.96%
- of which other sales	-	-	-
of which with recourse	4,666,854	4,246,163	-9.01%
- of which other sales	-	40,787	-
Net Commissions (%)	0.28	0.28	-
Lending (Stock) at 12/31	1,488,705	1,402,548	-5.78%
Outstanding	3,049,554	3,188,233	4.55%
of which without recourse	1,259,000	1,523,218	20.99%
of which with recourse	1,790,554	1,665,015	-7.01%
No. of documents processed	2,313,611	2,626,250	13.51%

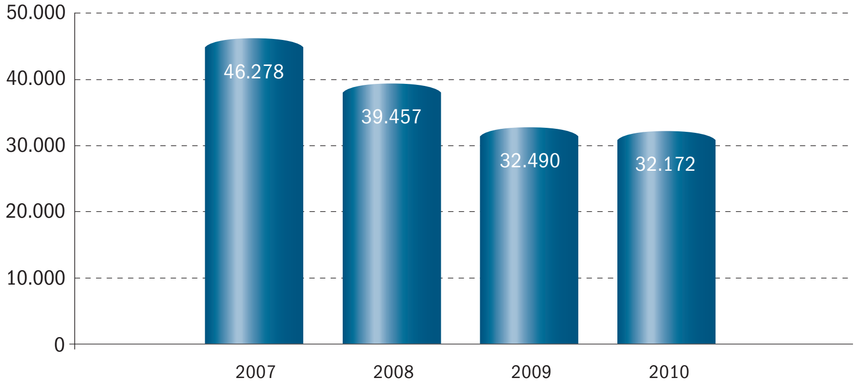
(figures in thousands of euros)

For receivables without recourse, operating data includes both data related to recorded non-recourse instruments and to formal non-recourse instruments. On the other hand, in the Explanatory Note (see Table 4.1), receivables without recourse regard only “recorded” non-recourse instruments (with a transfer of risks and benefits), while formal non-recourse instruments (with no transfer of risks and benefits) are reported under receivables with recourse.

An examination of the composition of receivables shows a significant reduction in volumes in the with recourse segment and a recovery in the without recourse segment, which accounts for 62.6% of sales.

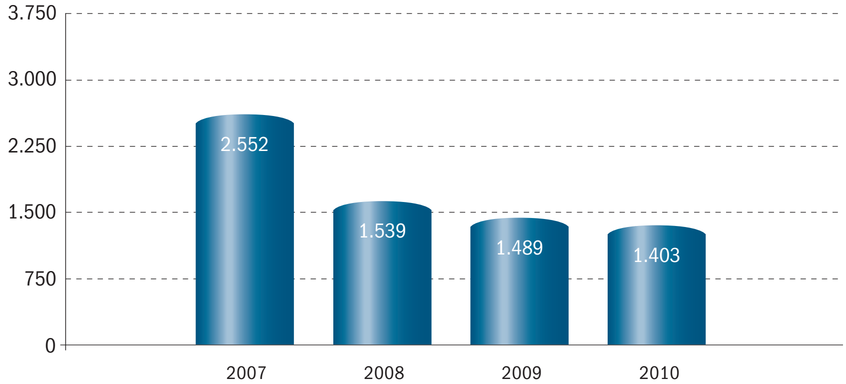
Net commissions (Chart 1) have decreased slightly and reflect almost exactly (-1%) the decrease in volumes of production for the year. The average figure is unchanged due to the mix of products supplied, which always tends to favor a balanced link between the financial investment and personalization of the service.

Chart 1. Trend in Commissions *(thousands of euros)*



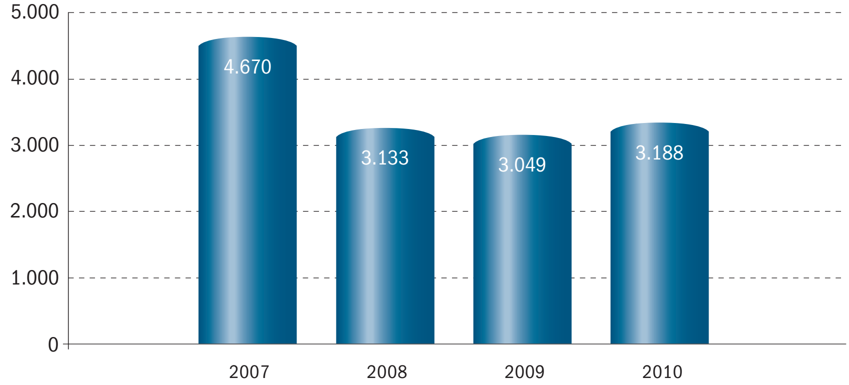
The end of period figure at 12/31/2010 for **Lending** (Chart 2) shows a decrease of 6%.

Chart 2. Actual Lending *(millions of euros)*



The **Stock of Receivables** (Chart 3) reports an increase over the same entry for 2009, and overdue accounts remain within acceptable limits, even during the extraordinarily complex economic cycle described above. This is also due to the effect of the close monitoring of the systems and services dedicated to debtor management, corrective entries in the credit analysis, and timely audits by the units responsible for control.

Chart 3. Total Receivables *(millions of euros)*



Although average payment time is 6 days longer than the previous year, compared to its most important competitors, the Company maintained a quick rotation in managed receivables, which in 2010 was a little over 100 days.

Chart 5. Average Duration of Receivables in 2010

Company	Average Days
Unicredit Factoring	184
UBI Factor	159
MPS L&F	150
Ifitalia (BNL Paribas)	122
Intesa Mediofactoring	113
Factorit	**103**

The figure for the number of documents processed, 2,626,250 (+13.5%), also confirms how the Company, basing its operations on the validity of the Information System, is able to manage complex and detailed operations and has thus consolidated its ability to offer the market a line of quality products that are strongly geared to customer service and relations.

Due to the slight decrease in turnover, the increase in the number of documents also indicates a decrease in the average size of the individual invoice sold, which denotes a greater fractioning of receivables and a shift of counter-debtors to the SME segment.

The number of sellers has decreased, both due to the competitive dynamics of the market, where the Company has only partially countered the competition's attack on relationships with a significant financial component, and due to the Company's organizational situation in the first half of the year, which hindered effective development action.

Compared to the previous year, however, loss of clientele has considerably slowed.

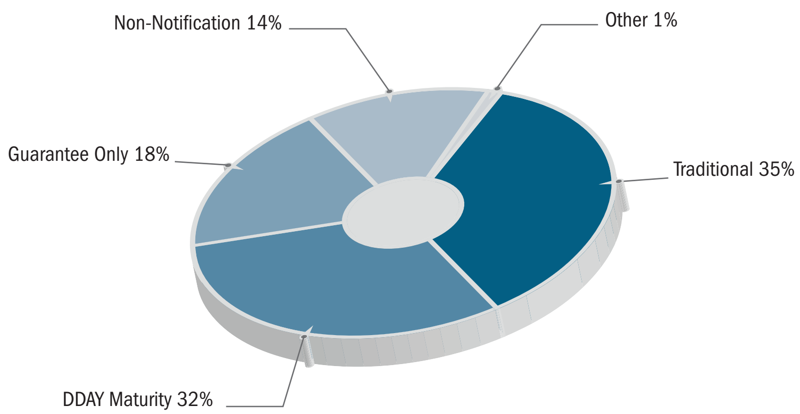
In 2010 **302 new customers** were acquired**,** for a total group of active customers (Table 6), equal to **1,273** units (-10.7%). They are diverse in terms of standing and size and are particularly concentrated in the SME segment.

Table 6. Status of Account Approvals

	2008	2009	2010
Total account approvals at start of year	2,349	1,709	1,426
Accounts closed	1,271	899	629
New accounts approved	631	616	437
Renewals	1,168	835	736
Total approved accounts on December 31	1,709	1,426	1,273
Difference new/closed	-50%	-31%	-31%

With regard to the **qualitative breakdown of Turnover** (Chart 4), transfers of receivables in the traditional factoring products (OLFT) segment prevailed, which supported the financing of businesses' working capital. These products showed a turnover of Euro 3,945 million, equal to 35% of the total. Just as significant was the maturity (DDAY) segment, with sales amounting to Euro 3,641 million, which represents 32% of receivables transferred to the Company, demonstrating that the product range meets even the market's most specialized needs, for both sellers and transferred debtors. Finally, a significant share of turnover in the amount of Euro 2,088 million (18% of total volumes) is generated by guarantee only products, which are offered as protection from the risk of insolvency for customers who are seeking solutions to the uncertainties caused by the recession.

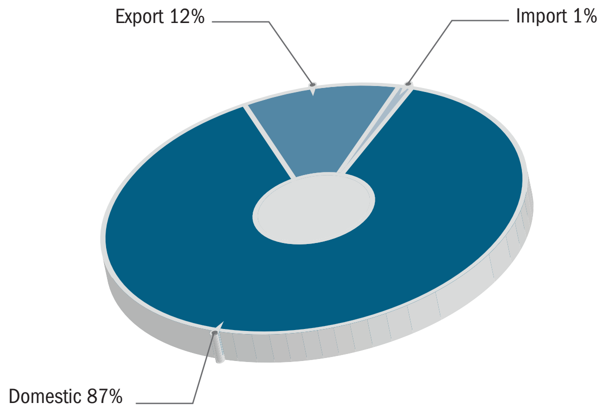
Chart 4 – Qualitative Distribution: Turnover by Product



An examination of the **territorial distribution of volumes** (Chart 5), following the traditional features of the factoring market, shows the predominance of domestic business, which absorbs 86.8% of production, compared with international business. During the year international business showed a recovery of 18%, with total turnover of Euro 1,499 million, of which Euro 169 million

(+31%) regards import factoring and Euro 1,329 million (+16.5%) regards the export market.

Chart 5 – Territorial Distribution of Turnover

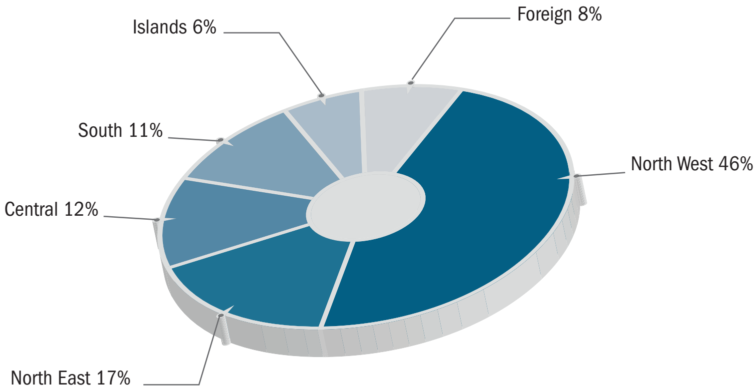


The expansion of volumes in the international sector, especially in import factoring (into which flow accounts opened through foreign correspondents who are part of the Factors Chain International network), can be explained primarily by the renewed confidence of correspondents. This is due to an improved rating for the Company, which benefited from its entry into the Banca Popolare di Sondrio Group. Also significant was the development of an important share of direct business relationships (equal to 36.7%), which were acquired without intermediation from correspondents, and instead through direct intervention in foreign markets.

The growth in export factoring is due in significant part to the product's insurance component. This is because, during such an uncertain economic period, which is aggravated by the need to operate in less familiar markets with more "distant" debtors, companies are more disposed to obtaining this type of protection.

The **Distribution of Turnover by Seller's Geographical Area** (Chart 6) reflects market indicators: approximately half of customers (45%) are based in the North-West (Lombardy is the top region with a share of 35%), followed by the North-East (17%), Central Italy (12%), the South (11%) and the Islands (7%). Turnover generated by sellers based abroad was 8% of the total.

Chart 6 – Distribution of Turnover by Seller's Geographical Area



With regard to **distribution by "Introducer" Channel** (Table 7), with a general slight contraction in volumes, the reduction of turnover had a disproportionate effect on the channel of Partner Banks (the volume of which fell by 8.2%, including the companies of the former Banca Italease Group in the calculation). Despite great efforts exerted to maintain operating relations with the banking network, the climate of uncertainty in the first half year associated with the corporate reorganization underway played a role in the negative result.

Table 7 – Breakdown of Turnover by Distribution Channel

	2009	2010	Difference 2010/2009
Total Turnover	**11,491,300**	**11,340,559**	**-1.3%**
Banks	4,164,340	3,824,591	-8.2%
Direct	7,197,630	7,346,498	2.1%
Foreign correspondents	129,330	169,470	31.0%

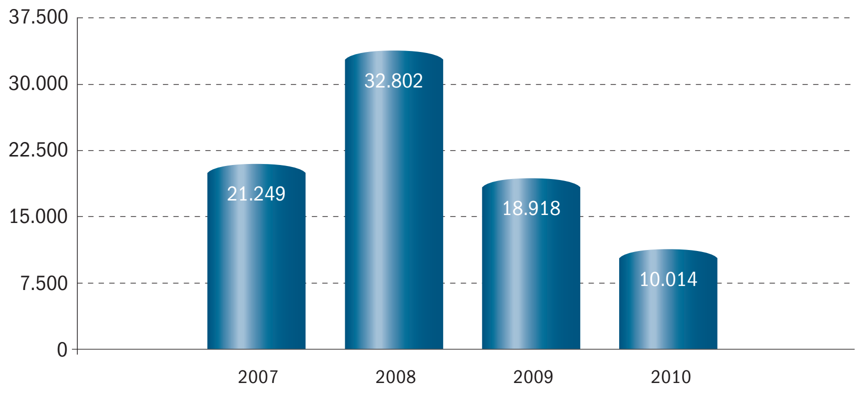
(figures in millions of euros)

Shareholder banks accounted for 74.2% of volumes generated by the bank channel and 25.0% of total volumes generated by the Company.

With regard to the Company's presence on the market, distribution takes place through six affiliates, one of which is located at the head office in Milan, a Sales Office, and the over 8,000 branches of partner banks. With regard to international activity, business is generated through 250 foreign correspondents in the FCI chain.

Economic and Income Trends

Chart 8. Trend in Net Income *(thousands of euros)*



The Company ended the year with a Net Income of Euro 10 million, after making adjustments in gross value for the impairment of receivables of Euro 33.6 million and of other financial operations of Euro 1.8 million. Writebacks came to Euro 4.8 million on receivables and Euro 3.7 million on other financial operations. Total net adjustments therefore come to Euro 26.9 million.

In order to provide a clearer, more immediate picture of the company's economic performance, the following table (Tab. 8) compares results and several primary indicators for the year with data for the previous year.

Table 8. Reclassified Key Economic Data

	2009	2010
Net commissions	32,490	32,172
Net financial proceeds	35,526	26,903
Net result from trading	31	0
Earning margin	**68,047**	**59,075**
Total net operating costs	**15,681**	**15,343**
Gross operating income	**52,366**	**43,732**
Net operating income	**29,176**	**17,194**

(thousands of euros)

	2009	2010
Cost income	23.04%	25.97%
Roe	12.51%	6.21%
Spread/earning margin	52.21%	45.54%
Service margin/earning margin	**47.75%**	**54.46%**

Corporate structure

At year end the company's organizational model includes a Managing Director who reports directly to the Board of Directors, with a General Manager who reports to the Managing Director and is responsible for commercial activities, the Credit Service, the Legal Service, the Organization Office and the Risk Control Office.

Table 9. Employees

	Average for 2010
Executives	2
Mid-level managers	67
Employees	77
Total	**146**
of which part-time	*16*
of which secondments from Factorit to Banca Italease	*2*

During the year seven employees left the company, three of which due to the transfer of contracts to companies in the former Banca Italease Group, while five employees were hired, three of which from companies in the former Italease Group.

At the end of September, a Banca Italease resource on loan to the Company as Manager of the Central South Sales Office left his employment with Factorit.

A resource seconded from the parent company Banca Popolare di Sondrio took over as manager of the Rome affiliate.

Risks Linked to the Company's Business

Interest rate and liquidity risk trends

With regard to interest rate risk, see the specific Section 3 of the Explanatory Note – Information on risks and the related hedging policies.
With reference to liquidity risks, for financial year 2010 as well they were managed by the Parent Company, which guaranteed the contribution of the financial resources needed to carry on the business.

Credit risk trends

With regard to credit risk trends in 2010, the ongoing macroeconomic instability continued to be reflected in all the critical problems of the Italian domestic market, but without jeopardizing the overall quality of the existing portfolio.

At December 31, 2010 non-performing on-balance-sheet exposures, before adjustments, amounted to Euro 55.0 million, corresponding to 9.92% of total loans in terms of principal (3.15% in 2009).

These positions, net of adjustments, amounted to Euro 12.6 million (9.0 million in 2009), or 0.90% of loans (0.61% in 2009), which at 12/31/2010 amounted to Euro 1,403 million (1,489 million on 12/31/2009).

Doubtful on-balance-sheet exposures at 12/31/2010 totaled Euro 53.1 million (89.0 million in 2009) and after adjustments amounted to Euro 33.9 million (74.9 million).

Note that the figure reported in the previous financial statements was strongly influenced by the new provisions in the regulations issued by Banca d'Italia on December 16, 2009 for preparation of financial statements by Financial Intermediaries.

On December 31, 2010 losses were reported for a total of Euro 23.8 million (Euro 9.1 million in 2009).

In particular: Euro 16.5 million for exposure to sellers, Euro 7.1 million to debtors, Euro 0.2 million for fees and receivables of lower value, and finally, Euro 0.03 million for transactions relating to lawsuits brought against the company or revocatory actions.

The amount booked was completely covered by the special provisions.

Risk Concentration and Regulatory Capital

During 2010 work continued on monitoring observance of the parameters laid down in the current regulations on the subject and applications were implemented to adjust monitoring of risk concentrations.

At 12/31/2010 three positions were identified that could be classified as "Major Individual Risks."

For more details on Risk Concentration see the Explanatory Note – Section 3 "Information on risks and the related hedging policies" and on Regulatory Capital in Section 4 – Comments on Capital.

Prudential Regulations

Prudential regulations were completely revised following continued changes made to current legislation to take account of developments in the risk management methods of intermediaries.

As we know, the new structure of prudential regulations is divided into "three pillars":

- Pillar 1 introduces a capital requirement to cover the typical risks of the banking and financial business (credit, counterpart, market, exchange-rate and operational risks). To this end alternative methods of calculating capital requirements are envisaged, characterized by different levels of complexity in measuring risks and organization and control requirements.
- Pillar 2 requires financial intermediaries to prepare a strategy and a process of controlling current and prospective capital adequacy, leaving to the Regulatory Authority the task of verifying the reliability and consistency of the relevant results and of adopting the appropriate corrective measures, if necessary.
- Pillar 3 introduces obligations of disclosure to the public regarding capital adequacy, exposure to risks, and the general characteristics of the relevant management and control systems.

For purposes of Pillar 1, the company has chosen to use the standard approach.

For purposes of Pillar 2, the Board of Directors confirmed the document that sets out the Group's guidelines for its internal capital adequacy assessment process ("ICAAP"): an organizational process performed at the consolidated level that requires the involvement of a number of corporate structures and units within both the Parent Company and Group companies.

Business Outlook

The business outlook for the current period is still primarily dependent on the general situation of the economy in Italy and on the real prospects of recovering from the crisis.

The funding required to meet financial needs and give the Company the resources necessary to sustain production and the development of business will first of all be guaranteed by means of market-based activity, as the Company has met the requirements needed to obtain autonomous lines of credit, and then by means of shareholder support.

The Company's re-established operational autonomy, achieved through previous contributions of business units by Banca Italease and Itaca Service, and the new ownership structure will be the basis for a real relaunch of the Company over the long term, making both organizational and commercial restructuring possible. The strong commercial presence in the territory, associated with the distributional capacity of the new shareholding structure and of other banking partners with agreements still in force, offer a firm basis for repositioning the Company on the most attractive and profitable markets of reference, with the aim of increasing the customer base in portfolio and assets administered.

Normalization of the Company's structural situation should make it possible to return to stability and operational normality and will be the condition for ensuring shareholders that targets and planned results will be achieved.

Monitoring and proactive management of all distribution channels will continue to make it possible to preserve relations with the market, defending and relaunching the corporate brand.

With regard to the international market, it will be possible to use the Parent Company's consolidated international operations in order to directly intervene on foreign markets and, due to the new shareholding structure and rating recovery, meetings will be planned with the main foreign correspondents within the FCI chain for a decisive new relaunch of the international factoring business.

Growth of the product will be dependent on prospective GDP trends, but we can confirm the strategic decision that aims to preserve a satisfactory level of return on invested capital, also through a tenacious defense of our most profitable customers.

The structure and completeness of the Company's range of products can meet market demand in an extremely competitive manner. In the future as well, the product mix will tend to favor products that best support Bank Shareholders in providing their customers with a quality service, as well as products that offer better service and greater returns (maturity with and without recourse and traditional recourse factoring).

Business Continuity

In light of the new share structure and considering that the Company has a positive history and no capital asset problems, the Directors declare that the requirement of business continuity has been met.

Other Information

With regard to the Tax Police's general audit for VAT purposes for the years 2005 to 2009 and its audit for income tax purposes, which concluded on October 13, 2009 with an official tax audit report against the Company, there have been no further developments during the year. At present we do not believe that provisions for risks and charges need to be made, as the specific prerequisites set forth by the applicable accounting principles have not been met.

The information on relationships with Group companies required by paragraph 2 point 2 of Art. 2428 of the Civil Code are reported under Other Information in the Explanatory Note.

With regard to the information in paragraph 2, points 3 and 4 of Art. 2428 of the Civil Code, we note that your Company does not own any treasury stock or shares in the parent company. No treasury stock or shares in the parent company were acquired or disposed of during the year.

With regard to information on risks as provided in paragraph 6 bis of Art. 2428 of the Civil Code, refer to the Explanatory Note - Part D and what has been reported in the previous paragraphs.

Your Company does not have secondary branch offices.

Your Company did not engage in any research and development activities during the year.

The Security Policy Document required by Article 34, paragraph 1, letter g) of Legislative Decree no. 196 of June 30, 2003, the "Personal Information Protection Law," was prepared in accordance with the methods laid down in Regulation 19 of the Technical Disciplinary Code, appendix B, of said Decree.

Important Events After Year End

There were no important events after year end.

Dear Shareholders,

We recommend that you approve the financial statements for the year ending at December 31, 2010 and the allocation of earnings as follows:

Net income for the year	Euro	10,014,142
Earnings carried forward for previous years	Euro	154,482
Earnings to be allocated	Euro	10,168,624
To the legal reserve 5%	Euro	500,707
Dividend Euro 0.048 to each of the 85,000,002 shares in circulation	Euro	4,080,000
Net income allocated to the extraordinary reserve	Euro	5,420,000
Net income carried forward	Euro	167,917

We therefore ask you to approve the financial statements presented to you and the proposed allocation of net income.

We would like to thank the Shareholders for all their activities on behalf of Factorit during the year.

Our thanks also go to the Board of Auditors for its support of the Company during the year, to all Company personnel for their strong, unwavering commitment, to the Partner Banks, the Correspondents who belong to FCI - Factors Chain International, and the organs of the trade association Assifact.

Milan, March 11, 2011

For the Board of Directors

The Chairman
Roberto Ruozi

FINANCIAL STATEMENTS
AT DECEMBER 31, 2010

CONTENTS OF FINANCIAL STATEMENTS

The annual financial statements of Factorit S.p.A., drafted in compliance with IAS/IFRS international accounting standards, are made up of the statement of assets and liabilities, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the explanatory note in addition to the directors' report on operations and on the Company situation, as required by IAS/IFRS accounting standards and the instructions for preparing financial statements of Financial Intermediaries on the Bank of Italy's special list of 16 December 2009 and subsequent updates, issued in compliance with Article 9 of Legislative Decree 38 of February 28, 2005.

The company's financial statements have been prepared with clarity, and provide a true and fair view of the capital, financial position, and earnings performance for the year.

The explanatory note has the function of illustrating, analyzing and in some cases providing additional information on the accounting data. These notes contain the information required by the instructions for preparing the financial statements of Financial Intermediaries, issued on 16 December 2009. Additional information has been supplied when deemed necessary in order to provide a true and accurate representation.

BALANCE SHEET
(figures in euros)

Assets	12/31/2010	12/31/2009
10. Cash and cash equivalent	3,117	2,502
60. Receivables	1,396,529,127	1,511,954,274
100. Tangible assets	220,296	148,414
110. Intangible assets	1,146,431	1,152,051
120. Tax assets	36,866,664	16,901,179
a) current	16,294,927	3,643,025
b) in advance	20,571,737	13,258,154
140. Other assets	3,938,037	4,073,930
TOTAL ASSETS	1,438,703,672	1,534,232,350

Liabilities and Shareholders' Equity	12/31/2010	12/31/2009
10. Payables	1,153,369,550	1,294,132,112
70. Tax liabilities	16,809,276	18,606,843
a) current	14,741,619	16,539,186
b) deferred	2,067,657	2,067,657
90. Other liabilities	98,199,699	60,583,577
100. Employee severance pay	1,928,935	2,196,803
110. Provisions for risks and charges:	7,192,709	7,523,654
a) retirement and similar obligations		
b) other provisions	7,192,709	7,523,654
120. Capital	85,000,002	85,000,002
150. Share premium reserves	11,030,364	11,030,364
160. Reserves	55,231,415	36,312,985
170. Valuation reserves	-72,420	-72,420
180. Net income (Loss)	10,014,142	18,918,430
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,438,703,672	1,534,232,350

INCOME STATEMENT
(figures in euros)

	12/31/2010	12/31/2009
10. Interest receivable and comparable proceeds	38,036,066	55,607,736
20. Interest payable and comparable charges	-11,132,597	-20,081,578
INTEREST MARGIN	26,903,469	35,526,158
30. Commissions receivable	38,204,788	38,822,814
40. Commissions payable	-6,032,621	-6,333,281
NET COMMISSIONS	32,172,167	32,489,533
60. Net result from trading	-245	30,911
EARNING MARGIN	59,075,391	68,046,602
100. Net value adjustments for impairment of:	-26,889,299	-21,931,375
a) financial assets	-28,778,730	-19,465,017
b) other financial operations	1,889,431	-2,466,358
110. Administrative expense	-18,888,974	-18,668,816
a) expense for personnel	-10,378,770	-8,463,986
b) other administrative expense	-8,510,204	-10,204,830
120. Net value adjustments on tangible assets	-73,063	-98,917
130. Net value adjustments on intangible assets	-23,320	-19,799
150. Net provisions for risks and charges	350,800	-1,258,300
160. Other operating proceeds and expenses	3,642,444	3,106,987
OPERATING INCOME	17,193,979	29,176,382
180. Net income (Loss) from the sale of investments	22,571	17,157
NET INCOME (LOSS) FOR CURRENT ASSETS BEFORE TAX	17,216,550	29,193,539
190. Income taxes for the year on continuing operations	-7,202,408	-10,275,109
NET INCOME (LOSS) AFTER TAX FOR CURRENT ASSETS	10,014,142	18,918,430
NET INCOME (LOSS)	10,014,142	18,918,430

The amount of commissions payable at 12/31/2009 was modified for a more relevant reclassification of the items. In particular “bank expense and commissions for statements with transactions ordered by value date,” equal to Euro 258,542, was transferred to the item “commissions payable” from the item “interest payable and comparable charges.”

STATEMENT OF COMPREHENSIVE INCOME

(figures in euros)

	Items	12/31/2010	12/31/2009
10	Net income (Loss)	10,014,142	18,918,430
20	Financial assets available for sale		
30	Tangible assets		
40	Intangible assets		
50	Hedging of foreign investments		
60	Cash flow hedges		
70	Foreign exchange differences		
80	Non-current assets held for sale		
90	Actuarial gains (losses) on defined benefit plans		28,453
100	Share of valuation reserves connected with investments carried in equity		
110	Other income components net of taxes		28,453
120	Total comprehensive income (Items 10+110)	10,014,142	18,946,883

CHANGES IN SHAREHOLDERS' EQUITY AT 12/31/2010

(figures in euros)

	Amounts on 12/31/2009	Change in opening balances	Amounts on 01/01/2010	Allocation of net income for the previous year		Changes for the year							Comprehensive income 12/31/2010	Shareholders' equity 12/31/2010
						Changes in reserves	Operations on shareholders' equity							
				Reserves	Dividends and other allocations		Issue of new stocks	Acquisition of treasury shares	Extraordinary dividend payments	Changes in equities	Other changes			
Share capital	85,000,002		85,000,002											85,000,002
Issue premiums	11,030,364		11,030,364											11,030,364
Reserves														
a) retained earnings	31,359,275		31,359,275	18,918,430										50,277,705
b) other	4,953,710		4,953,710											4,953,710
Valuation reserves:	(72,420)		(72,420)											(72,420)
Equities														
Treasury shares														
Profit (loss)	18,918,430		18,918,430	(18,918,430)									10,014,142	10,014,142
Shareholders' equity	151,189,361		151,189,361										10,014,142	161,203,503

CHANGES IN SHAREHOLDERS' EQUITY ON 12/31/2009

(figures in euros)

	Amounts as of 12/31/2008	Change in opening balance	Amounts as of 1/01/2009	Allocation of net income for the previous year		Changes during the year						Comprehensive income 12/31/2009	Shareholders' equity 12/31/2009
						Changes in reserves	Operations on shareholders' equity						
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equities	Other changes		
Share capital	85,000,000		85,000,000								2		85,000,002
Share premium reserves	11,030,364		11,030,364										11,030,364
Reserves													
a) retained earnings	14,197,671		14,197,671	17,161,604									31,359,275
b) other	4,923,413		4,923,413								30,297		4,953,710
Valuation reserves:	(100,874)		(100,874)									28,454	(72,420)
Equities													
Treasury shares													
Profit (loss)	32,801,604		32,801,604	(17,161,604)	(15,640,000)							18,918,430	18,918,430
Shareholders' equity	147,852,178		147,852,178		(15,640,000)						30,299	18,946,884	151,189,361

CASH FLOW STATEMENT

(figures in euros)

A. OPERATING ACTIVITIES	Amount	
	12/31/2010	12/31/2009
1. CASH FLOW FROM OPERATIONS	**51,015,725**	**57,959,528**
- net income (+/-)	10,014,142	18,918,430
- gains (losses) on financial assets held for trading and on financial assets/liabilities designated as at fair value through profit or loss (+/-)	245	-30,911
- net value adjustments for impairment (+/-)	26,889,299	21,931,375
- net value adjustments for tangible and intangible assets (+/-)	96,383	118,716
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	-350,800	1,258,300
- unpaid taxes and duties (+/-)	14,515,990	15,889,163
- other adjustments (+/-)	-149,534	-125,545
2. CASH FLOW FROM/USED IN FINANCIAL ASSETS	**76,009,699**	**33,562,859**
- receivables due from banks	18,572,089	-5,440,251
- receivables due from financial institutions	-555,183	838,215
- receivables due from customers	65,170,483	43,809,782
- other assets	-7,177,690	-5,644,887
3. CASH FLOW FROM/USED IN FINANCIAL LIABILITIES	**-132,210,381**	**-80,408,601**
- payables due to banks	-125,016,923	19,224,303
- payables due to financial institutions	-103,083	-397,816
- payables due to customers	-15,642,556	1,467,602
- outstanding securities	0	-66,256,825
- other liabilities	8,552,181	-34,445,865
Net cash flow from/used in operating activity	**-5,184,957**	**11,113,786**
B. INVESTING ACTIVITIES		
2. CASH FLOW USED IN	**-162,645**	**-14,109**
- purchase of tangible assets	-144,945	
- purchase of intangible assets	-17,700	-14,111
- purchase of business units	0	2
Net cash flow from/used in investment activity	**-162,645**	**-14,109**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	0	2
- issue/purchase of equities		
- distribution of dividends and other purposes	0	-15,640,000
Net cash flow from/used in funding activities	**0**	**-15,639,998**
NET CASH FLOW GENERATED/USED	**-5,347,602**	**-4,540,321**

RECONCILIATION

	Amount	
	12/31/2010	12/31/2009
Cash and cash equivalents at beginning of the period	**15,812,314**	**20,352,635**
Total net cash flow generated/used	-5,347,602	-4,540,321
Cash and cash equivalents at the end of the period	**10,464,712**	**15,812,314**

EXPLANATORY NOTE FOR THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

PART A *Accounting policies*

A. 1 – GENERAL CRITERIA

Declaration of conformity with International Accounting Standards

The company Factorit S.p.A., controlled by the Banca Popolare di Sondrio Group since July 29, 2010, declares that the annual financial statements have been prepared in complete conformity with all of the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board and the interpretations thereof by the International Financial Reporting Interpretation Committee, in effect as of December 31, 2009 and endorsed by the European Commission in accordance with the procedures set forth in EU Regulation No. 1606/2002.

General Accounting Policies

This Explanatory Note, with data denominated in thousands of euros, is based on the application of the following general policies for the preparation of financial statements as established by IAS 1.

1) Going concern. The financial statements were drafted with the assumption of a going concern; as a result, assets, liabilities and operations that are "off balance sheet" are measured according to their functional values.
2) Accrual basis. Regardless of the date of their monetary settlement, revenues and costs are recognized during the period in which they are respectively earned and incurred, on an accrual basis.
3) Consistency of presentation. The presentation and classification of items remains consistent over time in order to ensure the comparability of the information. Changes in presentation and classification may be made when required by an International Accounting Standard or an interpretation thereof, or when the change makes the representation of the values more appropriate in terms of significance or reliability. Should a criterion for presentation or classification be changed, the new criterion is applied on a retroactive basis whenever possible; in this case, the nature and the reason for the change are indicated, as well as the items affected by the change. The formats prepared by the Bank of Italy for the financial statements of Financial Intermediaries registered on the "special list" of December, 16, 2009 and later revisions were adopted for purposes of presenting and classifying the items.
4) Aggregation and materiality. All material classes of items with a similar nature or function are reported separately. Items of a different nature or function, if material, are presented apart.
5) Exclusion of offsetting. There is no offsetting of assets and liabilities or of revenues and costs, except where required or permitted by an International Accounting Standard or an interpretation thereof, or as provided by the formats prepared by the Bank of Italy for the financial statements of Financial Intermediaries registered on the special list.

6) Comparative information. The comparative information for the preceding period is reported for all data contained in the financial statements, unless otherwise provided for or permitted by an International Accounting Standard or an interpretation thereof. Information of a descriptive nature or commentary is also included whenever it is useful for understanding the data.

Events subsequent to the reporting date

For subsequent events, see the Report on Operations.

The Board of Directors authorized publication of the draft financial statements on February 23, 2011, in accordance with IAS 10.

Other Aspects

There have been no further developments regarding the general audit of the Company that the Tax Police completed on October 13, 2009. This audit regarded VAT for the years 2005 to the date of access, and income taxes. The investigation concluded with a tax audit report on the Company, and the findings set out are based on:

1) the presumption that the transactions subject to adjustment are not based on financing but on one of the credit management activities. The higher VAT proposed for recovery is Euro 39.5 million for the years 2005 to 2009;
2) the presumption that Banca Italease's secondment of personnel to Factorit was not an operation exempt from VAT, but rather a generic outsourcing operation that was subject to VAT. The higher VAT proposed for recovery is Euro 1 million for the years 2005 to 2009.

With regard to the above tax issues, at this time, based on the assessments of our consultants as well, we do not consider that the specific prerequisites set out by the applicable accounting standards for making provisions for risks and charges have been met, as there are significant and well-grounded defenses against the final judgment.

In this regard, in particular with respect to point 1), we note the positive outcome of the similar case that the Tax Police filed against Banca Italease S.p.A. with a notice of assessment served in 2008 for the years 2003, 2004 and part of 2005, regarding factoring activities that Banca Italease S.p.A. then transferred to Factorit S.p.A.
In detail:

- The Provincial Commission of Milan granted the petition filed for 2003, in decision no. 84/29/2010 filed on February 26, 2010, and the petition filed for 2004, in decision no. 181/43/2010 filed on October 8, 2010, and annulled the relative assessments.
- In its decision no. 21/32/11 of February 18, 2011, the Regional Commission of Lombardy rejected the Agency's appeal for 2003, confirming the positive outcome in the lower court case. The statute of limitations for 2004 is now running, but to date no appeal has been filed.
- For 2005, the relative notice of assessment has not been served.

Another salient factor is that after the Banco Popolare Group sold 90.50% of the capital of Factorit S.p.A. to Banca Popolare di Sondrio and Banca Popolare di Milano, Factorit is no longer subject to the system of national fiscal consolidation of tax returns, as the parent company has not exercised the option set out in articles 117 to 129 of the Italian Consolidated Income Tax Act.

With reference to paragraph 125 of IAS 1, see the paragraph “Risks linked to the company’s business.” With particular reference to the estimated recoverability of taxes paid in advance, value adjustments on loans, and legal and fiscal risks, please note that the assumptions and uncertainties of estimates create the risk of significant adjustments in the book values of assets and liabilities, even by the next financial year, as noted in the Bank of Italy, CONSOB and ISVAP document of February 6, 2009.

A. 2 – MAIN ACCOUNTING AGGREGATES

ASSETS

Section 6 ***Receivables***

6.1 Classification Criteria

The receivables portfolio includes all on-balance-sheet receivables (regardless of their form) due from banks, financial institutions and customers, as well as unlisted certificates of indebtedness which the Company does not intend to sell in the short term.

6.2 Recognition and derecognition criteria

Receivables and securities are recognized in the receivables portfolio at the time of disbursement or purchase, and may not be transferred to other portfolios thereafter. Similarly, financial instruments held in other portfolios may not be transferred to the receivables portfolio, except as provided for in the amendment to IAS 39 and to IFRS 7 issued in 2008 by the IASB.
Receivables also include advances disbursed in connection with transfers of receivables with recourse or those transferred without recourse and without the substantial transfer of risks and benefits.
Receivables transferred to the company and recognized against the transferred debtor – for which a substantial transfer of risks and benefits to the transferee Company is recognized — are also included.
If they are transferred to third parties, receivables and securities are only derecognized from the accounts if and to the extent that all risks and benefits are substantially transferred or if no control is retained over them.

6.3 Valuation Criteria

At the time of their disbursement or purchase, receivables or securities are booked at their fair value; fair value is equivalent to the amount disbursed or purchase price, including any potential transaction costs or revenues that are specifically attributable to each receivable or security in the case of receivables or securities with a duration that is more than short-term (defined as a time period of more than 18 months from the date of purchase of the financial instrument to its effective date of maturity).

Thereafter, valuations are based on the principle of amortized cost, with the receivables and securities subject to an impairment test whenever there is any evidence of impairment of the solvency of the debtors or issuers. The amortized cost method is not utilized for short-term receivables for which the discounting effects appear to be negligible.

The impairment test for receivables takes place in two phases:

1) individual valuations, for the purpose of identifying single impaired receivables and the determining their respective losses of value;
2) collective valuations for the purpose of identifying portfolios of outstanding impaired loans, in accordance with the incurred losses model, and a flat rate reporting of the potential losses in them.

Based on the criteria specified by the Bank of Italy, the impaired receivables subject to individual valuation are:

a) non-performing receivables;
b) doubtful receivables;
c) restructured receivables;
d) receivables past due for more than 180 days.

It is worth noting that following the changes made to the regulations issued by the Bank of Italy on December 16, 2009, the company also identified so-called "objective doubtful" positions and so-called "impaired past-due" positions. On May 26, 2010, an internal memo was circulated that set an individual write-down criterion based on a collective logic, and thus applied a write-down percentage for each receivable that was the same for all parties in the same situation.

The losses of value attributable to each impaired receivable are equal to the difference between their recoverable value and their amortized cost. The recoverable value corresponds to the present value of expected cash flows, calculated on the basis of the following elements:

a) the value of the contractual cash flows, net of the expected losses, which are estimated by taking into account both the debtor's specific capacity to meet the obligations undertaken and the realizable value of any real or personal guarantees;
b) the expected time for recovery, which is estimated on the basis of procedures underway to recover the receivable;
c) the internal rate of return.

The computation of the impairment on individual positions was made in accordance with the provisions of accounting principle IAS 39, by discounting the recoverable values of the receivables in relation to the expected recovery times.

More specifically:

In the case of non-performing and doubtful positions, the following calculation parameters were used:

a) recovery forecasts prepared by the managers of the positions;
b) expected recovery times, estimated on the basis of historical and statistical data;
c) "historical" discount rates represented by the contractual rates at the time of classification of the position in dispute.

The Company also identified receivables overdue by 90 days which are excluded from the exception by not being considered impaired. For these positions, the Company recognized only collective impairment.

With reference to collective valuations of performing receivables, groups of similar receivables presenting appreciable signs of qualitative deterioration of the debtors (impaired portfolios) are identified whenever there is evidence of increases in the estimated probability of default (the “proxy-PD”) and of the LGD (loss given default - a parameter representing the amount of loss in the case of default) of receivables within the same portfolio.

The collective valuations of performing receivables were implemented by:

a) segmenting the portfolio of performing receivables on the basis of the guidelines laid down in the Supervisory Regulations;
b) statistically estimating the probability of performing receivables becoming watchlist/non-performing receivables (the so-called default rates);
c) computing the amounts of loss given default, on the basis of historical and statistical data, using a file of nonperforming positions.

6.4 Criteria for the Recognition of Income Components

Income components are allocated to the relevant items of the income statement on the following basis:

a) interest received on loans and securities is allocated to the item “interest and comparable income;”
b) impairment losses and reinstatements of value for receivables and securities are allocated to “Net value adjustments for the impairment of receivables.”

Section 10 *Tangible Assets*

10.1 Classification criteria

The item includes assets for business purposes (fittings, furniture, systems, hardware, and motor vehicles).

10.2 Recognition and derecognition criteria

Tangible assets are initially recognized at their purchase cost, including any accessory costs sustained and directly ascribable to putting the asset into use or improving its productive capacity. Ordinary maintenance costs are recognized in the income statement on an accruals basis.
Tangible assets are derecognized at the time of their divestment or when they have fully exhausted their economic functionality and no future economic benefits are expected.

10.3 Valuation criteria

Subsequent recognition is at cost, decreased by the depreciation booked and potential lasting impairment losses. Depreciation is recognized for the duration of the useful life of the assets. Regular checks are made to ascertain whether substantial changes have occurred in original conditions that would require changes in the initial depreciation schedules. If evidence is found of the existence of permanent impairment losses, tangible assets are subjected to impairment tests and any potential losses are recognized. Any subsequent reinstatements of value may not exceed the amount of any losses previously recorded as a result of impairment tests.

10.4 Criteria for recognition of income components

The allocation of income and expenses to the appropriate income statement items is based on the following:

a) periodic depreciation, permanent impairment losses, and reinstatements of value are allocated to "Net value adjustments to tangible assets."
b) gains and losses arising from sale transactions are allocated to "Gains/(losses) from sale of investments."

Section 11 Intangible Assets

11.1 Classification criteria

This item includes intangible production assets with multi-year use, in particular software and goodwill.

11.2 Recognition and derecognition criteria

Intangible fixed assets are recorded at purchase cost, inclusive of any accessory charges, and increased by any expenses sustained to increase the initial value or productive capacity of the assets. Goodwill is equal to the positive difference between expenditures for the acquisition of the underlying company units and recoverable value, considered to be either value in use or fair value, whichever is greater.
Intangible assets are derecognized at the end of their useful economic lives.

11.3 Valuation criteria

Intangible assets are recorded at cost and decreased by amortization and by any impairment losses.
Amortization is calculated on a straight-line basis along the entire useful life of the assets to be amortized. Regular checks are made to ascertain whether substantial changes have occurred with respect to the original conditions such as to require changes in the initial amortization schedules. In the presence of any evidence of the existence of permanent losses, intangible assets are subject to an impairment test, in order to verify and recognize any losses of value; any subsequent reinstatements of value may not exceed the amount of any previously recognized impairment losses.

Goodwill is not subject to amortization, but is instead periodically subject to an impairment test. Impairment losses consist of any negative difference between the recoverable value of the sector of the Group's business with which a specific amount of goodwill is associated, and the carrying value of the shareholders' equity of that sector. No subsequent reinstatements of value may be recognized.

11.4 Criteria for recognition of income components

The allocation of income and expenses to the appropriate income statement items is based on the following:

a) Periodic amortization, permanent impairment losses and reinstatements of value are allocated to "Net value adjustments to intangible assets."

Section 12 *Tax assets and liabilities*

12.1 Classification criteria

These items include current and advance tax assets as well as current and deferred tax liabilities.

Current tax assets include tax withholdings and tax advances paid in the period; tax liabilities include payables for income tax pertinent to the period.
Deferred tax assets represent either income taxes recoverable in future periods in relation to deductible temporary differences (deferred assets) or income taxes payable in future periods as a result of taxable temporary differences (deferred liabilities).

12.2 Recognition, derecognition and valuation criteria

Deferred tax assets are recognized in accordance with the balance sheet liability method only if the company has the capacity to fully offset the deductible temporary differences with future taxable income, while as a rule deferred tax liabilities are always recognized.

12.3 Valuation criteria for income components

Tax assets and liabilities are recognized in the income statement under the item, “income taxes for the year on current operations” unless they are derived from operations whose effects are directly attributable to Shareholders' Equity.

LIABILITIES

Section 1 *Payables*

1.1 Classification criteria

Payables due to banks include all financial liabilities other than trading liabilities, liabilities valued at fair value and outstanding securities which are part of the typical funding operations of the company.
Payables due to financial entities and customers include the value of consideration that must still be paid to the seller as part of sales of receivables that require the transfer of risks and benefits to the transferee company.

1.2 Recognition and derecognition criteria

The aforementioned payables are recognized at the time of settlement for their current value, which for payables due to banks typically corresponds to the amount collected from the Company, and for those due to financial institutions and customers corresponds to the amount of the debt, given the short-term duration of the relative operations.
Payables are derecognized when the relevant contractual rights expire or are extinguished.

1.3 Valuation criteria

Following initial recognition, payables are recognized at the amount collected or for the original value of the debt, given their short-term duration.

1.4 Criteria for recognition of income components

The allocation of income and expenses to the pertinent income statement items is based on the following:

a) Interest payable is allocated to the item “interest payable and comparable charges.”

Section 10 *Employee severance pay*

10.1 Classification criteria

Employee severance pay reflects liabilities to all employees for the indemnity due upon termination of the employment relationship.

10.2 Evaluation criteria

The provisions for employee severance pay and defined-benefit and defined-contribution employee pension plans are reported based on the estimates of independent actuaries and are recognized at present values, in accordance with the projected unit credit method provided by IAS 19 for defined benefit plans, as these indemnities fall within this category.
This calculation is performed exclusively on the value of the provisions and not considering allocations for the year to outside complementary pension funds.

Actuarial gains and losses are recognized directly through an offsetting entry in the income statement.

10.3 Criteria for recognition of income components

The allocation of income and expense items to the income statement is based on the following:

a) provisions for employee severance pay, seniority bonuses, and supplementary employee pension plans, and the company's payments into a defined-contribution plan are allocated to "Administrative expenses - personnel expenses;"
b) actuarial gains and losses are recognized directly with an offsetting entry in the income statement.

Section 11 *Provisions for risks and charges*

11.1 Classification criteria

Provisions for risks and charges include provisions for liabilities that are certain or probable but whose date of settlement or amount are not precisely known.

11.2 Recognition, derecognition and valuation criteria

If the effect of the present value of money becomes significant, the amount allocated is recognized as the present value of charges which are expected to be incurred to fulfill the obligation.
Provisions are derecognized if they are utilized or if the conditions required for their maintenance cease to exist.

11.3 Criteria for recognition of income components

The allocation of income and expense items to the income statement is based on the following:

Provisions and any reinstatements of value for risks and charges are allocated to "Net allocations to provisions for risks and charges."

Transactions in Foreign Currency

Classification Criteria

Transactions in foreign currency consist of all assets and liabilities denominated in currencies other than the euro.

Recognition and derecognition criteria

The aforementioned assets and liabilities denominated in foreign currencies are initially converted into euros at the spot exchange rates in effect on the date of each transaction.

Valuation criteria

The conversion of the assets and liabilities denominated in foreign currency is effected as of the reporting date on the basis of the spot rates in effect on that date.

Criteria for reporting income and expenses

Transactions in currencies other than the euro are, moreover, marginal compared to overall activity; in addition, an investment operation in foreign currency is normally handled using funds in the same currency, and therefore does not generate exchange rate risk.

Any exchange rate differences, which are in any event marginal, are recognized in the income statement item “Net income from trading activities.”

Costs and revenues

Costs and revenues are booked and recognized in the financial statements on an accrual basis. Revenues are recorded when the economic benefits deriving from the operations are probable and when their amount can be reliably measured. They are measured at the fair value of the consideration due.
Costs are recognized in the income statement when there is a decline in the future economic benefits, resulting in a decrease in assets or an increase in liabilities which can be reliably measured.

PART B Information on the balance sheet

ASSETS

Section 1 Cash and cash equivalents – Item 10

(thousands of euros)	12/31/2010	12/31/2009
a) Cash	3	3
b) Deposit accounts with Central Banks	-	-
Total	3	3

Section 6 Receivables– Item 60

6.1 – Receivable from banks

(thousands of euros)	12/31/2010	12/31/2009
1. Deposits and current accounts	**10,462**	**15,810**
2. Financing	**9,193**	**27,062**
2.1 Repurchase agreements	-	-
2.2 Finance leases	-	-
2.3 Factoring	1,926	708
- with recourse	-	-
- without recourse	1,926	708
2.4 Other financing	7,267	26,354
3. Debt instruments	**136**	**207**
- debt instruments	-	-
- other debt instruments	136	207
4. Other assets	**475**	**1,107**
Total (book value)	**20,266**	**44,186**
Total (fair value)	**20,266**	**44,186**

The fair value of receivables due from banks is recognized as the nominal value, given that these are short-term financial assets on demand. Certificates of indebtedness are recognized at cost, adjusted by accruals, as their fair value cannot be reliably measured.

The amount of Euro 10,462 million, under the item "Deposits and current accounts," represents occasional and temporary deposits at credit institutions that originated from significant cash inflows at the end of the year.

Item 2.4, "Other Financing," is composed mainly of sums paid to transferors in advance on behalf of credit institutions as part of pooled factoring operations, in which Factorit assumes the role of lead manager.

Item 3, "Debt securities," includes Euro 131.4 thousand for the security "Italfondiario (now Centrobanca) series A.06 – 3.25% 01/01/99-01/01/2013" and, for the same security, Euro 4.3 thousand for coupons in maturity.

Item 4 "Other assets" is made up of:

- Euro 2.5 thousand for receivables form Barclays Bank Plc
- Euro 472.4 thousand for receivables from Banca Italease S.p.A.

6.3 – Due from financial institutions

	12/31/2010		12/31/2009	
(thousands of euros)	Performing	Impaired	Performing	Impaired
1. Financing				
1.1 Repurchase agreements	-	-	-	-
1.2 Finance leases	-	-	-	-
1.3 Factoring				
- with recourse	1,816	-	3,329	-
- without recourse	295	-	1,302	-
1.4 Other financing	3,055	-	-	-
2. Debt instruments				
- structured securities	-	-	-	-
- other debt instruments	-	-	-	-
3. Other assets	**235**	**-**	**215**	**-**
Total (book value)	**5,401**	**-**	**4,846**	**-**
Total (fair value)	**5,401**	**-**	**4,846**	**-**

The fair value of receivables due from financial entities is assumed to be the nominal value given that these are short-term financial assets on demand.

Item 3, "Other assets" includes:
- Euro 222.1 thousand for invoices to be issued to financial entities for pooling operations where Factorit assumed the role of non-leading participant;
- Euro 13.3 thousand for balances of current accounts with Poste Italiane (Italian Post Office).

Also, for the current year only, point 1.4, "Other financing," includes only advances that regard sales of receivables which do not fall within the purview of Law 52/91, which at 12/31/2010 came to Euro 2.4 million for performing transactions only. On the contrary, these transactions for the prior year are included in point 1.3, "Factoring."

6.5 – Due from customers

(thousands of euros)	12/31/2010 Performing	12/31/2010 Impaired	12/31/2009 Performing	12/31/2009 Impaired
1 Finance lease	-	-	-	-
of which: without a final purchase option	-	-	-	-
2 Factoring	1,260,975	68,648	1,335,376	116,547
- with recourse	964,459	62,045	1,080,605	110,470
- without recourse	296,516	6,603	254,771	6,077
3 Consumer credit (including revolving credit cards)	-	-	-	-
4 Credit cards	-	-	-	-
5 Other financing	38,474	2,765	8,893	1,793
of which: enforcement of guarantees and commitments	-	-	-	-
6 Debt instruments	-	-	-	-
- structured securities	-	-	-	-
- other debt instruments	-	-	-	-
7 Other assets	-	-	313	-
Total (book value)	1,299,449	71,413	1,344,582	118,340
Total (fair value)	1,299,449	71,413	1,344,582	118,340

The fair value of receivables due from customers is assumed to be the nominal value given that these are short-term financial assets on demand.

Impaired assets are recognized at their presumed collection values.

“Other financing” also includes charges payable by transferred debtors on payment extensions granted to them, and, for the current year only, advances for sales of receivables which do not fall within the purview of Law 52/92, which at 12/31/2010 came to Euro 30 million for performing transactions and Euro 2.1 million for impaired transactions.
On the contrary, these transactions for fiscal 2009 are included in point 2, “Factoring.”

6.7 – Receivables: guaranteed assets

	12/31/2010						12/31/2009					
	Due from banks		Due from financial institutions		Due from customers		Due from banks		Due from financial institutions		Due from customers	
(thousands of euros)	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Performing assets guaranteed by:	**-**	**-**	**1,796**	**1,796**	**972,349**	**970,783**	**-**	**-**	**3,316**	**3,316**	**1,073,833**	**1,073,205**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	1,796	1,796	943,543	941,977	-	-	3,316	3,316	1,039,589	1,038,961
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	16	16	-	-	-	-	312	312
- Personal guarantees	-	-	-	-	28,790	28,790	-	-	-	-	33,932	33,932
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	**-**	**-**	**-**	**-**	**62,438**	**62,172**	**-**	**-**	**-**	**-**	**110,543**	**109,772**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	55,739	55,473	-	-	-	-	104,062	103,291
- Mortgages	-	-	-	-	930	930	-	-	-	-	830	830
- Pledges	-	-	-	-	54	54	-	-	-	-	53	53
- Personal guarantees	-	-	-	-	5,715	5,715	-	-	-	-	5,598	5,598
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,796**	**1,796**	**1,034,787**	**1,032,955**	**-**	**-**	**3,316**	**3,316**	**1,184,376**	**1,182,977**

EV = carrying value of exposures
GV = fair value of guarantees

The table above illustrates guarantees received in connection with performing and impaired assets.
Following implementation of the regulation on sales of receivables which do not fall within the purview of Law 52/91, for fiscal 2010 only, “receivables for factoring” do not include “other sales.”
The amounts are classified by type of guarantee and by business segment of the party guaranteed.
In the case of guarantees with value that exceeds the amount of the asset guaranteed, the column “guarantee value” indicates the value of the asset guaranteed.

Receivables acquired through “non-recourse” factoring transactions, if guaranteed, are indicated in the pertinent technical form of guarantees.

If there was more than one guarantee underlying advances paid to sellers in transactions for the transfer of receivables “with recourse” and underlying receivables acquired through “non-recourse” factoring transactions, the order of priority was as follows:

1) mortgages;
2) pledges;
3) factoring receivables;
4) personal guarantees.

Section 10 *Tangible assets– Item 100*

10.1 Composition of item 100, “Tangible assets”

(thousands of euros)	12/31/2010 Assets valued at cost	12/31/2010 Assets valued at FV or revalued	12/31/2009 Assets valued at cost	12/31/2009 Assets valued at FV or revalued
1) Functional assets				
1. Owned by the company	221		148	
a) land	-		-	
b) buildings	-		-	
c) furniture	93		73	
d) capital goods	17		26	
e) other	111		49	
2. Acquired through finance lease	-		-	
a) land	-		-	
b) buildings	-		-	
c) furniture	-		-	
d) capital goods	-		-	
e) other	-		-	
Total 1	221		148	
2) Assets related to finance lease agreements				
2.1 Unopted assets	-		-	
2.2 Assets retired following termination of agreement	-		-	
2.3 Other assets	-		-	
Total 2	-		-	
3) Assets held for investment purposes	-		-	
Total 3	-		-	
Total (1+2+3)	221		148	

10.2 Tangible assets: annual changes

(thousands of euros)	Land	Buildings	Furniture	Capital goods	Other	Total
A) Opening balance	-	-	73	26	49	148
B) Increases	-	-	53	4	89	146
B.1 Purchases	-	-	53	4	89	146
B.2 Value reinstatements	-	-	-	-	-	-
B.3 Positive changes in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-
C) Decreases	-	-	33	13	27	73
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	33	13	27	73
C.3 Adjustments in value from impairment charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Other changes	-	-	-	-	-	-
D) Net closing balance	-	-	93	17	111	221

Section 11 *Intangible assets – Item 110*

11.1 Composition of item 110 "Intangible assets"

	12/31/2010		12/31/2009	
(thousands of euros)	Assets valued at cost	Assets valued at FV	Assets valued at cost	Assets valued at fair value
1 Goodwill	1,112		1,112	
2 Other intangible assets				
2.1 Owned by the company				
- internally generated	-	-	-	-
- other	34	-	40	-
2.2 Acquired under finance lease agreements	-	-	-	-
Total 2	34	-	40	-
3 Assets related to finance lease agreements				
3.1 Unopted assets	-	-	-	-
3.2 Goods withdrawn after terminations	-	-	-	-
3.3 Other assets	-	-	-	-
Total 3	-	-	-	-
4 Assets granted through operating leases	-	-	-	-
Total (1+2+3+4)	1,146	-	1,152	-

The amount of Euro 1.146 million includes the residual amount of Euro 1.112 million of the value of goodwill, which was generated by the 1999 merger of Factorit with the company In Factor.
Taking into account the integration of the company acquired into Factorit's business model, this goodwill was completely allocated to the surviving company, seen as a single entity generating financial flows (CGU).

The combined provisions of accounting standards IAS 36 and IFRS 3 state that at least once a year, goodwill must be subject to an impairment test. For purposes of this test, it is necessary to determine the recoverable value, defined as either the fair value of an asset after deducting the selling costs or its value in use, whichever is greater. Based on an estimate of future income flows, the company has determined that there have been no losses in value on this goodwill.

11.2 Intangible assets: annual variations

(thousands of euros)		Total
A. Opening balance		**1,152**
B. Increases		**17**
B.1 Purchases		17
B.2 Value reinstatements		-
B.3 Positive changes in fair value		-
- shareholders' equity	-	
- income statement	-	
B.4 Other changes		-
C. Decreases		**23**
C.1 Sales		-
C.2 Amortization		23
C.3 Value adjustments		-
- shareholders' equity		-
- income statement		-
C.4 Negative changes in fair value		-
- shareholders' equity		-
- income statement		-
C.5 Other changes		-
E. Closing balance		**1,146**

Section 12 *Tax Assets and Liabilities*

Deferred tax assets and deferred tax liabilities have been reported according to the balance-sheet liability method laid down by IAS 12, according to the specific instructions issued by the Bank of Italy.

12.1 Composition of item 120, "Tax assets: current and deferred"

Denominations	Total 12/31/2010	Total 12/31/2009
Current tax assets	16,295	3,643
Deferred tax assets (balancing entry in equity)	196	196
Deferred tax assets (balancing entry in income statement)	20,376	13,062
Total	**36,867**	**16,901**

Deferred tax assets refer to taxes generated from costs which were booked as balancing entries in the income statement and the balance sheet and whose deductibility is deferred to future years, in accordance with the provisions of current tax laws; they primarily include value adjustments on receivables exceeding the deductible amount, pursuant to Art. 106, paragraph 3 of the Italian Consolidated Income Tax Act, provisions for risks and changes in actuarial gains/losses of pension funds.

12.2 Composition of item 70 "Tax liabilities: current and deferred"

Denominations	Total 12/31/2010	Total 12/31/2009
Current tax liabilities	14,741	16,539
Deferred tax liabilities (balancing entry in equity)	-	-
Deferred tax liabilities (balancing entry in income statement)	2,068	2,068
Total	**16,809**	**18,607**

Deferred tax liabilities primarily include taxes which are generated by the different valuation of receivables for IAS purposes, during first implementation, with taxability deferred to subsequent years, and by the amortization of goodwill deducted solely for tax purposes.

The average deferred tax rates are: 27.5% for IRES (corporate income tax) and 4.82% for IRAP (regional income tax) established following the approval of Law 244 of December 24, 2007, published in Ordinary Supplement No. 285 of Official Journal No. 300 of December 28, 2007.

12.3 Changes in deferred tax assets (balancing entry in income statement)

(thousands of euros)	12/31/2010	12/31/2009
1. Opening balance	**13,062**	**7,727**
2. Increases	**7,943**	**5,766**
2.1 Advance taxes booked during the year	7,943	5,766
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reinstatements of value	-	-
d) other	7,943	5,766
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**629**	**431**
3.1 Advance taxes canceled during the year	629	431
a) reversals	629	431
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**20,376**	**13,062**

Advance taxes recognized during the year (2) refer to advance tax assets which emerged during the year and primarily regard write-downs of receivables that exceed the amount deductible under the terms of Art. 106, paragraph 3 of the Italian Consolidated Income Tax Act, provisions for risks, and changes in actuarial gains/losses of pension funds during the year.
Deferred tax assets canceled during the year (3) refer to deferred tax assets originating from previous years that were deducted in the current year and primarily regard write-downs of receivables for previous years, pursuant to Art. 106, paragraph 3 of the Italian Consolidated Income Tax Act and provisions for risks for previous years.

12.4 Changes in deferred taxes (balancing entry in income statement)

(thousands of euros)	12/31/2010	12/31/2009
1. Opening balance	**2,068**	**2,023**
2. Increases	**-**	**48**
2.1 Deferred taxes reported during the year	-	48
a) for previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	48
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**3**
3.1 Deferred taxes canceled during the year	-	3
a) reversals	-	3
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**2,068**	**2,068**

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

(thousands of euros)	12/31/2010	12/31/2009
1. Opening balance	**196**	**207**
2. Increases	**-**	**-**
2.1 Deferred taxes reported during the year	-	-
a) for previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**11**
3.1 Deferred taxes canceled during the year	-	11
a) reversals	-	11
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
(of which due to business combinations)	-	-
4. Final amount	**196**	**196**

Section 14 *Other assets – Item 140*

14.1 Composition of item 140 “Other assets”

(thousands of euros)	12/31/2010	12/31/2009
Tax credits (not classifiable as tax assets)	532	508
Items in progress	1,134	2,287
Pre-payments and accrued income not recognized under specific item	336	192
Other items	1,936	1,087
Total	**3,938**	**4,074**

The item “Tax Credits” includes the amount of Euro 496 thousand for virtual stamp duty, of which Euro 326.3 thousand relates to the advance for the year 2011 paid on November 30, 2010.

“Items in progress” includes the amount of Euro 0.9 million for items that will be collected by means of collection orders and whose amount has already been paid to the transferor subject to collection, but for which the Bank has not yet received the relevant credit note.

In “Other items,” the largest amount, equal to Euro 1.5 million, refers to sums paid following lower court decisions which the company has appealed or challenged.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 *Payables – Item 10*

1.1 Payables

(thousands of euros)	12/31/2010			12/31/2009		
	Due to banks	Due to financial institutions	Due to customers	Due to banks	Due to financial institutions	Due to customers
1. Financing	**1,123,106**	**-**	**-**	**1,250,765**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	1,123,106	-	-	1,250,765	-	-
2. Other payables	**10,663**	**446**	**19,155**	**8,021**	**549**	**34,798**
Total	**1,133,769**	**446**	**19,155**	**1,258,786**	**549**	**34,798**
Fair Value	**1,133,769**	**446**	**19,155**	**1,258,786**	**549**	**34,798**

The fair value of payables due to credit entities, financial entities and customers is recorded as the nominal value, as these are short-term financial liabilities on demand.

The amount due to banks refers to:

Technical Form	Amount
Bank account exposures on demand	43,316
Advances subject to collection on cash orders or direct debits	110,391
Expiring short-term overdraft facility	555,301
Commissions to book	2,760
Supplier invoices and supplier invoices to be received	1,741
Payables to parent company	414,402
Accrued liabilities on short-term overdraft facilities	87
Payables to principals	5,771
Total	**1,133,769**

The item "Other payables" to financial entities relates to:

- Euro 300.8 thousand for invoices to be received for pool operations;
- Euro 145.2 thousand for other payables.

The item "Other payables" to customers is comprised exclusively of payables for factoring with reference to receivables from debtors assigned recognized in the financial statements for the portion of consideration not yet settled.

Section 7 *Tax liabilities – Item 70*

See details in Section 12 of Assets.

Section 9 *Other liabilities – Item 90*

9.1 Composition of item 90 "Other liabilities"

(thousands of euros)	12/31/2010	12/31/2009
Tax payables for amounts to be paid	426	526
Payables due to personnel	274	257
Payables due to social security institutions	417	339
Payables due to suppliers	2,544	2,403
Other items in progress	67,279	45,220
Other items	27,260	11,838
Total	98,200	60,583

For purposes of comparison, data at 12/31/2009 has been reclassified for a total of Euro 32 thousand. The amount payable for contributions for fees to be settled was moved from the sub-item "Payables due to social security institutions" to the sub-item "Other items."

The item "Other items in progress" is comprised of the following in particular:

- Euro 17.3 million for direct remittances received but not yet charged to the pertinent items;
- Euro 50.0 million for bills yet to be credited.

The item "Other items" is comprised of the following in particular:

- Euro 23.0 million for temporary debit balances to customers;
- Euro 3.1 million for the provision of guarantees and commitments, set aside to cover the risk of outlay of payments under guarantee in relation to positions classified as doubtful and non-performing.

Section 10 *Employee Severance Pay – Item 100*

10.1 Employee severance pay: annual changes

(thousands of euros)	12/31/2010	12/31/2009
A. Opening balances	2,197	1,856
B. Increases	(132)	545
B.1 Allocations for the year	(150)	(126)
B.2 Other increases	18	671
C. Decreases	136	204
C.1 Liquidations completed	111	162
C.2 Other decreases	25	42
D. Closing balance	1,929	2,197

The provisions for employment termination indemnities qualify as defined-benefit plans under IAS 19 and have thus been valued using the projected unit credit method.
It should be noted that the amount included in the item "Provisions during the year" is made up of the cost of the allocation of Euro 80 thousand from which Euro 230 thousand has been deducted for the actuarial valuation which, as indicated by the parent company, has been recorded as a balancing entry in the Income Statement rather than in Shareholders' Equity – Valuation Reserves – the method used up until 12/31/2009.

Section 11 *Provisions for risks and charges – Item 110*

11.1 Composition of item 110 “Provisions for risks and charges”

(thousands of euros)	12/31/2010	12/31/2009
1. Company retirement funds	-	-
2. Other provisions for risks and charges	7,193	7,523
2.1 Legal disputes	6,025	6,405
2.2 Personnel charges	1,168	1,118
2.3 Other	-	-
Total	7,193	7,523

The item “Legal disputes” comprises:
- Revocatory actions Euro 3.3 million;
- Lawsuits against the company Euro 2.7 million.

The item “Personnel charges” comprises:
- Early retirement fund Euro 372 thousand;
- Personnel training Euro 211 thousand;
- Other personnel expenses Euro 585 thousand.

11.2 Changes in item 110 “Provisions for risks and charges”

(thousands of euros)	Retirement funds	Other provisions	12/31/2010
A. Opening balance	-	7,523	7,523
B. Increases	-	977	977
B.1 Allocations for the year	-	977	977
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to fluctuations in discount rate	-	-	-
B.4 Other changes	-	-	-
C. Decreases	-	1,307	1,307
C.1 Utilization during the year	-	564	564
C.2 Changes due to fluctuations in discount rate	-	-	-
C.3 Other changes	-	743	743
D. Closing balance	-	7,193	7,193

Section 12 *Shareholders’ Equity – Items 120, 130, 140, 150, 160 and 170*

12.1 Composition of item 120 “Share capital”

Categories	12/31/2010
1. Share capital	85.000
1.1 Common shares	85.000
1.2 Other shares	-

Share capital consists of 85,000,002 shares with a nominal value of 1 Euro.

12.2 Composition of item 130 “Treasury shares”

As of 12/31/2010 and 12/31/2009 Factorit S.p.A. held no treasury shares.

12.3 Composition of item 140 “Equities”

As of 12/31/2010 and 12/31/2009 Factorit S.p.A. did not increase the value of the item equities.

12.4 Composition of item 150 “Share premium reserves”

This reserve is equal to Euro 11.03 million.

12.5 Other information

Availability and distributability of shareholders’ equity items.

Category	Amount	Possibility of utilization	Amount available	Summary of utilization in the three previous years	
				For coverage of losses	For other reasons
Share capital	85,000	-	-	-	-
Capital reserves	-	-	-	-	-
Net income reserves					
Legal reserve	5,858	B	-	-	-
Share premium reserve	11,030	A-B	11,030	-	-
Other reserves	49,146	A-B-C	49,146	-	26,265
Net income carried forward	155	A-B-C	155	-	-
Total	**151,189**		**60,331**	**-**	**26,265**
Non-distributable amount	**-**	**-**	**11,030**	**-**	**-**
Residual distributable amount	**-**	**-**	**49,301**	**-**	**-**

Key: A – for share capital increase; B – for coverage of losses; C – for distribution to shareholders

12.6 Composition of item 170 “Valuation reserves”

Valuation reserves come to Euro -72 thousand and relate entirely to actuarial gains/losses on employee severance pay.

PART C Information on the Income Statement

Section 1 Interest – Items 10 and 20

1.1 Composition of item 10 "Interest receivable and comparable proceeds"

(thousands of euros)	Debt instruments	Financing	Other operations	12/31/2010	12/31/2009
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets valued at fair value	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-
5. Receivables					
5.1 Receivables due from banks	4	75	-	79	121
5.2 Receivables due from financial institutions	-	81	-	81	72
5.3 Receivables due from customers	-	37,860	16	37,876	55,415
6. Other assets			-	-	-
7. Hedging derivatives			-	-	-
Total	4	38,016	16	38,036	55,608

1.2 Interest receivable and comparable proceeds: other information

Interest receivable on financial assets in foreign currencies come to Euro 527.1 thousand (370.8 thousand in 2009).

1.3 Composition of item 20 "Interest payable and comparable charges"

(thousands of euros)	Payables	Securities	Other transactions	12/31/2010	12/31/2009
1. Payables due to banks	(11,062)		-	(11,062)	(19,771)
2. Payables due to financial institutions	-		-	-	-
3. Payables due to customers	-		(56)	(56)	(18)
4. Securities issued		-	-	-	(293)
5. Financial liabilities from trading	-	-	-	-	-
6. Financial liabilities valued at fair value	-	-	-	-	-
7. Other liabilities and provisions			(15)	(15)	-
8. Hedging derivatives			-	-	-
Total	(11,062)	-	(71)	(11,133)	(20,082)

For a comparison with the annual financial statements, on 12/31/2009, costs for bank expenses and commissions reported on statements where transactions are organized by value date were reclassified to the item "commissions payable," for a total amount of Euro 0.2 million.

Section 2 *Commissions – Items 30 and 40*

2.1 Composition of item 30 "Commissions receivable"

(thousands of euros)	12/31/2010	12/31/2009
1. Finance lease transactions	-	-
2. Factoring transactions	38,205	38,823
3. Consumer credit	-	-
4. Merchant banking activities	-	-
5. Guarantees issued	-	-
6. Services relative to:	-	-
- fund management and payment	-	-
- exchange rate trading	-	-
- distribution of products	-	-
- other	-	-
7. Collection and payment services	-	-
8. Servicing for securitization operations	-	-
9. Other commissions	-	-
Total	38,205	38,823

2.2 Composition of item 40 "commissions payable"

(thousands of euros)	12/31/2010	12/31/2009
1. Guarantees received		(6)
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	(6,033)	(6,327)
4.1 Leasing operations		
4.2 Factoring operations	(6,033)	(6,327)
4.3 Other		
Total	(6,033)	(6,333)

For comparative purposes, the data at 12/31/2009, that were reclassified, for a total of Euro 0.2 million, whith regard to the cost incurred for bank expenses and commissions on statements with transactions ordered by value date, that during the previous year had been reported under the item "Interest payable and comparable charges."

Section 4 *Net Result from Trading – Item 60*

4.1 Composition of item 60 "Result from trading"

The item shows Euro 0.2 thousand in point 3 "Other financial assets and liabilities: foreign exchange difference."

Section 8 *Net Value Adjustments due to Impairment – Item 100*

8.1 "Net value adjustments for impairment of receivables"

	Value adjustments		Reinstatements of value		12/31/2010	12/31/2009
(thousands of euros)	Specific	Portfolio	Specific	Portfolio		
1. Receivables due from banks	**-**	**-**	**-**	**-**	**-**	**-**
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
2. Receivables due from financial institutions	**-**	**-**	**-**	**-**	**-**	**-**
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
C. Receivables due from customers	**(33,552)**	**-**	**1,977**	**2,796**	**(28,779)**	**(19,465)**
- for leasing	-	-	-	-	-	-
- for factoring	(31,232)	-	730	2,747	(27,755)	(19,866)
- other receivables	(2,320)	-	1,247	49	(1,024)	401
Total	**(33,552)**	**-**	**1,977**	**2,796**	**(28,779)**	**(19,465)**

The table expresses the amount charged to the income statement as a result of and in relation to the valuation process for the receivables portfolio. There is a significant increase from the figure at 12/31/2009.

8.4 Composition of sub-item 100.b "Net value adjustments for impairment of other financial operations"

	Value adjustments		Reinstatements of value		Total 12/31/2010	Total 12/31/2009
(thousands of euros)	Specific	Portfolio	Specific	Portfolio		
A. Guarantees issued	(1,767)	-	3,656	-	1,889	(2,466)
B. Derivatives on receivables	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-
D. Other operations	-	-	-	-	-	-
E. Total	**(1,767)**	**-**	**3,656**	**-**	**1,889**	**(2,466)**

Section 9 *Administrative Expenses – Item 110*

9.1 Composition of item 110.a "Personnel expenses"

(thousands of euros)	12/31/2010	12/31/2009
1. Employees	(9,964)	(7,991)
a) Wages and salaries	(6,992)	(5,686)
b) Social charges	(2,130)	(1,690)
c) Severance pay	-	-
d) Social security expenses	-	-
e) Allocation to employee severance pay	150	126
f) Allocation to provisions for retirement pay and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) Payments to complementary outside pension funds:	(678)	(570)
- defined contribution	(678)	(570)
- defined benefits	-	-
h) Other expenses	(314)	(171)
2. Other personnel currently employed	-	(4)
3. Directors and auditors	(269)	(231)
4. Retired personnel	-	23
5. Recovery of expenses for employees seconded to other companies	147	432
6. Reimbursements of expenses for third party employees seconded to the company	(293)	(693)
Total	(10,379)	(8,464)

With regard to the sub-item under letter e) it should be noted that the amount is made up of the cost of the allocation for the period of Euro 83 thousand, from which Euro 230 thousand has been deducted for the actuarial valuation which, starting in the current year, as indicated by the parent company, is reported as a balancing entry in the Income Statement instead of in the Balance Sheet – Valuation Reserves – the method used up to 12/31/2009.

9.2 Average number of employees by category

	2010	2009
Employees	146	113
a) executives	2	3
b) total mid-level managers	67	53
of which levels 3 and 4	40	34
c) remaining employees	77	57
Other personnel	-	8
Total	146	121

The increase is due to the transfer of personnel as a result of the Banco Popolare Group's sale of Factorit. As part of this action, Factorit was rendered autonomous in management and organizational terms, with contributions by Banca Italease S.p.A. and Itaca Service S.p.A.

9.3 Composition of item 110.b "Other administrative expenses"

(thousands of euros)	12/31/2010	12/31/2009
a) expenses related to real property	(828)	(621)
- rents and building maintenance	(821)	(475)
- energy, water and heating	(7)	(146)
b) indirect duties and taxes	(1,862)	(2,045)
c) postal, telephone, printing and other office expenses	(736)	(770)
d) maintenance and charges for furniture, equipment and systems	(325)	(369)
e) professional services and consulting	(2,810)	(2,538)
f) services rendered by third parties	(20)	(32)
g) advertising, entertainment and gifts	(16)	(25)
h) insurance premiums	(37)	(51)
i) transport, rentals and travel	(309)	(388)
l) other costs and sundry expenses	(1,567)	(3,366)
Total	**(8,510)**	**(10,205)**

The cash cost of the insurance premium covering risks under the "Civil liability policy for Directors, Auditors and General Managers" was Euro 48 thousand; the cost pertinent to the year was Euro 5.7 thousand.

Note that with regard to letter l), the decrease from the previous year is due to the substantial decrease in the "service fee" paid to Banca Italease S.p.A. as a result of the return of several functions to the company.

Section 10 ***Net value adjustments of tangible assets – Item 120***

10.1 Composition of item 120 "Net value adjustments of tangible assets"

(thousands of euros)	Depreciation (a)	Value adjustments for impairment (b)	Reinstatements of value (c)	Net result (a+b-c)
1. Functional assets	-	-	-	-
1.1 Owned by the company	(73)	-	-	(73)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(33)	-	-	(33)
d) capital equipment	(13)	-	-	(13)
e) other	(27)	-	-	(27)
1.2 Acquired under financial leasing agreements	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital equipment	-	-	-	-
e) other	-	-	-	-
2. Assets relating to financial leasing agreements	-	-	-	-
3. Assets held for investment purposes	-	-	-	-
Total	(73)	-	-	(73)

Section 11 *Net value adjustments of intangible assets – Item 130*

11.1 Composition of item 130 "Net value adjustments of intangible assets"

(thousands of euros)	Amortization (a)	Value adjustments for impairment (b)	Value reinstatements (c)	Net result (a+b-c)
1. Goodwill	-	-	-	-
2. Other intangible assets	(23)	-	-	(23)
2.1 owned by the company	(23)	-	-	(23)
2.2 acquired through financial leasing agreements	-	-	-	-
3. Assets related to financial leasing	-	-	-	-
4. Assets granted with operating leases				
Total	(23)	-	-	(23)

Section 13 *Net provisions for risks and charges – Item 150*

13.1 Composition of item 150 "Net provisions for risks and charges"

(thousands of euros)	Allocations	Reattribution of surpluses	12/31/2010	12/31/2009
1. Allocations to retirement fund				
2. Allocations to other funds for risks and charges:	(392)	743	351	(1,258)
a) legal disputes	(392)	743	351	(1,258)
b) charges for personnel				
c) other				
Total	(392)	743	351	(1,258)

Section 14 *Other operating income and expenses – Item 160*

14.1 Composition of item 160 "Other operating income"

(thousands of euros)	12/31/2010	12/31/2009
b) tax recovery	190	207
c) expense recovery	1,196	1,237
d) proceeds for IT services rendered	956	-
f) other	1,363	1,771
Total	3,705	3,215

14.2 Composition of item 160 "Other operating expenses"

(thousands of euros)	12/31/2010	12/31/2009
b) other	(63)	(108)
Total	(63)	(108)

Section 16 *Net income (Loss) from the sale of investments – Item 180*

(thousands of euros)	12/31/2010	12/31/2009
A. Real estate	-	-
- Net income from sales	-	-
- Losses from sales	-	-
B. Other assets	23	17
- Net income from sales	23	17
- Losses from sales	-	-
Net result	23	17

Section 17 *Income taxes on continuing operations – Item 190*

For fiscal year 2010, following the Banco Popolare Group's sale of 90.50% of the share capital of Factorit S.p.A. to Banca Popolare di Sondrio and Banca Popolare di Milano, Factorit is no longer subject to the national consolidated tax system, as the parent company did not exercise the option set out in articles 117 to 129 of the Italian Consolidated Income Tax Act.

The item reflects the higher taxation due to trends in the item "Value adjustments on receivables," none of which can be deducted for purposes of IRAP (regional income tax).

Taxes pertinent to the year reflect a reasonable expectation of taxes for the year, based on tax laws in effect.

17.1 Composition of item 190 "Income taxes on continuing operations"

Component/Values	12/31/2010	12/31/2009
1. Current taxes (-)	(14,516)	(15,564)
2. Change in current taxes from previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)	-	-
4. Variation in taxes paid in advance (+/-)	7,314	5,334
5. Variation in deferred taxes (+/-)	-	(45)
6. Income tax for the year (-) (-1+/-2+3/-4+/-5)	(7,202)	(10,275)

17.2 Reconciliation between theoretical tax charge and actual tax charge in the financial statements

	IRES		IRAP	
TAX ON GROSS INCOME FOR THE YEAR	4,735	27.50%	2,474	4.82%
DIVIDENDS	0		0	
INTEREST PAYABLE	122		21	
Section EC cost exemption	0		0	
Other adjustments for purposes of IRES	7,331		0	
Personnel costs	0		0	
Adjustments on receivables	0		0	
IRAP deductions	0		-158	
Other adjustments for purposes of IRAP	0		-9	
Total changes in taxes from those calculated on gross income	7,453		-146	
Income tax for the year and actual tax rate	12,188	70.79%	2,328	13.52%
Other taxes	-7,320	-42.52%	6	0.03%
TOTAL TAXES	7,202	41.83%		

Other taxes refer to the change in taxes paid in advance that is charged to the income statement during the year.

Section 18 Gain (Losses) on groups of assets held for sale, net of tax – Item 200

This section does not include any amounts.

Section 19 Income statement: other information

19.1 Analytical composition of interest and commission income

	Interest income			Commission income				
(thousands of euros)	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers	12/31/2010	12/31/2009
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital equipment	-	-	-	-	-	-	-	-
- tangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	81	37,876	97	1,191	36,917	76,162	94,309
- on current receivables	-	27	27,361	-	1,168	35,661	64,217	91,880
- on future receivables	-	-	926	-	-	88	1,014	1,837
- on receivables purchased on a permanent basis	-	-	-	-	-	-	-	-
- on receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- for other financing	-	54	9,589	97	23	1,168	10,931	592
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	-	81	37,876	97	1,191	36,917	76,162	94,309

19.2 Other Information

Analytical composition of interest payable and comparable charges

Technical form	Amount
Current account overdrafts	(1,310)
Advances subject to collection	(748)
Short-term overdrafts	(8,711)
Advances in foreign currencies	(291)
Contingent liabilities for bank interest	(1)
Sundry interest payable	(72)
Total	**(11,133)**

PART D Other information

Section 1 Details on activities

B. FACTORING AND SALE OF RECEIVABLES

B. 1 – Gross value and book values

	12/31/2010			12/31/2009		
(thousands of euros)	Gross value	Adjustments of value	Total	Gross value	Adjustments of value	Total
1. Performing assets	**1,273,975**	**8,963**	**1,265,012**	**1,352,878**	**12,163**	**1,340,715**
- exposures to transferors (with recourse)	972,816	6,542	966,274	1,093,415	9,481	1,083,934
- sales of future receivables	17,890	191	17,699	39,144	336	38,808
- other	954,926	6,351	948,575	1,054,271	9,145	1,045,126
- exposures to debtors transferred (without recourse)	301,159	2,421	298,738	259,463	2,682	256,781
2. Impaired assets	**126,577**	**57,929**	**68,648**	**167,504**	**50,957**	**116,547**
2.1 Non-performing	53,801	41,256	12,545	46,540	37,534	9,006
- exposures to transferors (with recourse)	49,123	36,578	12,545	41,944	32,938	9,006
- sales of future receivables	1,387	1,245	142	1,685	1,278	407
- other	47,736	35,333	12,403	40,259	31,660	8,599
- exposures to debtors transferred (without recourse)	4,678	4,678	-	4,596	4,596	-
- acquired for less than nominal value	-	-	-	-	-	-
- other	4,678	4,678	-	4,596	4,596	-
2.2 Watchlist	47,926	16,460	31,466	87,942	13,127	74,815
- exposures to transferors (with recourse)	39,411	13,131	26,280	83,204	11,503	71,701
- sales of future receivables	9,370	4,445	4,925	9,866	5,249	4,617
- other	30,041	8,686	21,355	73,338	6,254	67,084
- exposures to transferred debtors (without recourse)	8,515	3,329	5,186	4,738	1,624	3,114
- acquisitions at less than nominal value	-	-	-	-	-	-
- other	8,515	3,329	5,186	4,738	1,624	3,114
2.3 Restructured exposures	-	-	-	-	-	-
- exposures to transferors (with recourse)	-	-	-	-	-	-
- sales of future receivables	-	-	-	-	-	-
- other	-	-	-	-	-	-
- exposures to transferred debtors (without recourse)	-	-	-	-	-	-
- acquired at less than nominal value	-	-	-	-	-	-
- other	-	-	-	-	-	-
2.4 Past due exposures	24,850	213	24,637	33,022	296	32,726
- exposures to transferors (with recourse)	23,399	178	23,221	30,002	239	29,763
- sales of future receivables	-	-	-	-	-	-
- other	23,399	178	23,221	30,002	239	29,763
- exposures to transferred debtors (without recourse)	1,451	35	1,416	3,020	57	2,963
- acquired at less than nominal value	-	-	-	-	-	-
- other	1,451	35	1,416	3,020	57	2,963
Total	**1,400,552**	**66,892**	**1,333,660**	**1,520,382**	**63,120**	**1,457,262**

The table above provides details on the value of receivables recognized under item 60 of Assets, with reference to the specific business of factoring.
Receivables are subdivided into performing and impaired receivables and are classified according to the type of counterparty: transferor and transferred debtor.

Recognition of a receivable in the category "due from transferred debtors" assumes that the sale of the receivables resulted in the actual transfer of all risks and benefits to the factor. If this does not occur, the only receivables that the factor may recognize under assets are receivables asserted against the transferor for advances disbursed to such.

It is also specified that for the current year only, the table does not include advances for sales of receivables which do not fall within the purview of Law 52/91. On 12/31/2010, these sales came to Euro 32.4 million for performing assets and Euro 2.1 million for impaired assets.

B.2 – Residual life of exposures and total receivables

B.2.1 – Factoring operations with recourse: advances and total receivables

	12/31/2010		12/31/2009	
(thousands of euros)	Advances	Total receivables	Advances	Total receivables
- on demand	-	-	-	-
- up to 3 months	645,701	1,655,527	-	1,191,676
- 3 months to 6 months	88,511	278,116	-	219,337
- over 6 months to 1 year	64,326	68,652	-	36,482
- over 1 year	6,589	39,266	-	37,307
- indefinite duration	223,193	790,488	1,194,404	1,301,316
Total	**1,028,320**	**2,832,049**	**1,194,404**	**2,786,118**

The table provides details for the figures indicated in Table B.1 above, with regard solely to receivables claimed from transferors.
For fiscal 2010 only, the table does not include "Advances" and "Total receivables" for operations which do not fall within the purview of Law 52/91.
At the same time, we note that total receivables for sales of receivables performed outside the purview of Law 52/91 comes to Euro 52,035 thousand at year end.

B.2.2 – Factoring operations without recourse - exposures

	Exposures	
(thousands of euros)	12/31/2010	12/31/2009
- on demand	-	-
- up to 3 months	169,003	169,544
- 3 months to 6 months	67,563	26,163
6 months to 1 year	37,151	15,245
- over 1 year	171	17,591
- indefinite duration	31,452	34,315
Total	**305,340**	**262,858**

The table reports the book value of exposures for receivables acquired through factoring operations without recourse, broken down by length of residual life.

B.3 – Dynamics of adjustments in value

(thousands of euros)	Adjustments of initial value	Increases			Decreases				Final adjustments in value
		Value adjustments	Reclassification from other status	Other increases	Value reinstatements	Reclassification to other status	Cancellations	Other decreases	
Details on impairment	**50,957**	**31,232**	**4,816**	**-**	**730**	**4,694**	**23,652**	**-**	**57,929**
Exposures to transferors	**44,680**	**21,850**	**3,987**	**-**	**463**	**3,643**	**16,524**	**-**	**49,887**
- Non-performing	32,938	16,710	3,649	-	200	4	16,515	-	36,578
- Watchlist	11,503	5,140	253	-	117	3,639	9	-	13,131
- Restructured exposures	-	-	-	-	-	-	-	-	-
- Past due exposures	239	-	85	-	146	-	-	-	178
Exposures to debtors transferred	**6,277**	**9,382**	**829**	**-**	**267**	**1,051**	**7,128**	**-**	**8,042**
- Non-performing	4,596	6,595	668	-	80	240	6,861	-	4,678
- Watchlist	1,624	2,787	154	-	158	811	267	-	3,329
- Restructured exposures	-	-	-	-	-	-	-	-	-
- Past due exposures	57	-	7	-	29	-	-	-	35
Portfolio for other assets	**12,163**	**-**	**566**	**102**	**2,747**	**688**	**-**	**433**	**8,963**
- Exposures to transferors	9,481	-	266	-	2,162	610	-	433	6,542
- Exposures to debtors	2,682	-	300	102	585	78	-	-	2,421
Total	63,120	31,232	5,382	102	3,477	5,382	23,652	433	66,892

This table includes changes in adjustments of value (specific and portfolio) for exposures to transferors and debtors transferred during the year, as well as the value of said adjustments at the beginning and end of the period (respectively, adjustments of starting and ending values).
Value adjustments, calculated on exposures classified as impaired, are always indicated as specific adjustments of value, as set out by law.
Financial assets are derecognized following events that extinguish the receivable.

B.4 – Other Information

B.4.1 Turnover of receivables subject to factoring operations

(thousands of euros)	12/31/2010	12/31/2009
Operations without recourse	880,565	804,313
- of which acquired for less than their nominal value	-	-
Operations with recourse	10,419,207	10,686,987
Total	11,299,772	11,491,300

The table shows the nominal value of receivables acquired during the year (turnover) for factoring operations, divided into registered non-recourse operations and recourse/non-recourse formal operations.
The figure at 12/31/2009 also includes values for “other sales.”

The following table reports details of turnover for “other sales.”

(thousands of euros)	12/31/2010	12/31/2009
Without recourse	-	not available.
With recourse	40,787	not available
Total	**40,787**	

B.4.2 Collection-only services

The Company did not perform collection-only services in 2010 and 2009.

B.4.3 Nominal value of contracts for the purchase of future receivables

(thousands of euros)	12/31/2010	12/31/2009
- Flow of future receivable purchase contracts during the year	81,644	239,133
- Amount of receivables at year end	500,363	636,188

D. Guarantees given and commitments

D.1 – Value of guarantees given and commitments

(thousands of euros)	12/31/2010	12/31/2009
1) Financial guarantees given	**-**	**-**
a) banks	-	-
b) financial institutions	-	-
c) customers	-	-
2) Commercial guarantees given	**-**	**-**
a) banks	-	-
b) financial institutions	-	-
c) customers	-	-
3) Irrevocable commitments to disburse funds	**736,767**	**444,399**
a) banks	5	-
i) for specified use	-	-
ii) for unspecified use	5	-
b) financial institutions	-	-
i) for specified use	-	-
ii) for unspecified use	-	-
c) customers	736,762	444,399
i) for specified use	10,686	-
ii) for unspecified use	726,076	444,399
4) Commitments underlying credit derivatives: sales of protection	**-**	**-**
5) Assets pledged as collateral for third party obligations	**-**	**-**
6) Other commitments	**-**	**-**
Total	**736,767**	**444,399**

This table shows the commitment to disburse funds only for “approved recourse” (formal non-recourse) operations, that is the difference between total receivables for approved operations with recourse and the advance for approved operations with recourse (reported in the accounting assets under the transferor’s name).

Euro 726.1 million is for irrevocable commitments with unspecified use, as the commitments to disburse funds is optional in nature; in this case it is not certain whether and to what extent the funds will effectively be disbursed.

D.2 – Financing reported in the financial statements due to enforcement

No figures are reported.

Section 3 *Information on risks and the relative risk-hedging policies*

SECTION 3.1 – CREDIT RISKS

Qualitative information

1. General aspects

Credit risk is traditionally the main type of risk involved in Factorit's activities. Constant modifications in the credit disbursement, management and monitoring process, based on the different counterparties involved, make it possible for the company to contain this type of risk.

Credit quality is controlled by monitoring both specific counterparty risk (transferor and transferred debtor) as well as portfolio risk.

With regard to the specific credit risk component, the procedures currently used make it possible to assess a risk profile for a single party (transferor and transferred debtor) and the parties connected to such, quantifying the total potential risk related to the parties financed.

With regard to the portfolio credit risk component, in the past there has been a particular focus on the concentration risk, which involves exposures to major economic and/or legal groups.

This analysis is also performed for positions shared with the parent company Banca Popolare di Sondrio, for which it values the total amount of exposures in existence.

2. Credit risk management policies

2.1 Organizational aspects

The Factorit lending process is governed by the Credit Regulations issued by the company board of directors, which is in harmony with the credit regulations in effect at the parent company Banca Popolare di Sondrio, which are the model of reference for the regulations of the Group companies and which establish common criteria and methods for credit management, while still allowing for special features that may be based on the particular types of financing and the nature of the counterparties.

The credit process is divided into the following phases:
- credit policy;
- evaluation of creditworthiness;

- disbursement of credit;
- review of credit lines and monitoring.

CREDIT POLICY

Factorit's credit policy, like that of the Parent Company, is focused on criteria of prudence and risk containment. This is reflected in a strict selection process for counterparties to be credited, with constant monitoring of the risk positions assumed.

EVALUATION OF CREDITWORTHINESS

The evaluation of creditworthiness is aimed at ascertaining the counterparty's current and prospective capacity to repay, and at verifying the compatibility between the individual applications for lines of credit and the credit policy adopted.
In particular, the assessment is aimed at determining the level of economic risk, in relation to the probability of default of the parties involved (transferors and transferred debtors) and the level of financial risk deriving from any failure to repay the credit granted on the agreed due dates.

The credit process system is set up into logical phases that differ depending on the parties involved (transferors and transferred debtors) and depending on the different deliberative powers.

Specifically, the preliminary evaluation of creditworthiness stage is handled by the commercial department, by obtaining all the information needed to determine the economic and financial position of the parties involved. For purposes of cross-checking, the assessment stage is instead handled by the Credit Service and has the objective of determining the amount of the line of credit and the feasibility of the operation.

DISBURSEMENT OF CREDIT

The disbursement phase includes the series of activities that involve first evaluating the risk inherent in the operation and then deciding, based on the results of the assessment, whether or not to assume a credit risk by granting a limit.
The disbursement of credit is made taking into account all direct and indirect short-term, medium-term, and long-term exposures with the Banca Popolare di Sondrio Group, whether or not supported by guarantees.
Whether a party belongs to a legal and economic entity, as defined by the Banca Popolare di Sondrio Group, constitutes an additional risk element beyond the one triggered by the position considered individually, which must be appropriately evaluated.

Limits become operative, and then available to the borrower only upon approval and according to the deliberative powers established by the Board of Directors in the Credit Regulations, which, in certain cases, provide for a Preliminary Opinion from the Parent Company as well. A verification of conformity with the provisions provided in the resolution is also performed, with particular regard to the finalization of the contract, collection of the necessary contractual documentation, acquisition of guarantees and verification that the exposure consequent to the assumption of the risk does not exceed the maximum limits that the Regulatory provisions set individually for each single customer or group of related customers.

REVIEW OF CREDIT LINES AND MONITORING

Credit positions are classified into the different categories of expected risk provided at the company level, and in accordance with the general principles governed by the Regulatory Instructions.
These categories, which are based on the various anomalies that may be found, make it possible to classify positions in order of increasing seriousness. These classifications are assigned automatically upon the occurrence of objective events, or discretionally, upon the intervention of the management and the organs responsible for monitoring and controlling risk, in a manner which is uniform for the entire portfolio.

Auditing the performance of the lines of credit can be broken down into monitoring and review of the credit positions.
Among other things, it makes use of concise indicators that express classifications on the basis of the type of operation and the customer's exposure, as well as the opinion or report of the structures responsible for managing relations with transferor customers or with debtors.

2.2 Management, measurement, and control systems

Generally speaking, credit disbursement processes are automated for assessments related to minor debtors, while they are discretional and centralized at the head office for risk assessments related to more important transferors and larger amounts.
Additionally, the Parent Company takes on a coordination role and prepares obligatory opinions for loan requests that exceed its established limits.

2.3 Credit risk mitigation techniques

The essential features of a factoring operation (numerous debtors and the transfer of trade receivables) make it possible to mitigate the factor's risks through various techniques designed to consolidate the transfer of risk to the transferred debtor and split it over a number of parties.

In terms of non-recourse contracts, many credit risk mitigation clauses can be used, including:

- the limitation of credit risk assumed for each debtor;
- acquisition of direct or collateral guarantees;
- the application of allowances;
- limitation of the risk in relation to volumes of assets brokered and the profitability of the relationship (maximum annual ceiling);
- the assignor's transfer obligations;
- hedging by means of insurance of the receivable.

2.4 Impaired financial assets

The technical and organizational procedures involved in managing and controlling problematic credit are defined according to the degree of problems with the position.

With regard to default, relational and performance monitoring is carried out, for the purpose of:

- verifying whether or not the counterparties' financial/business difficulties can be reversed;
- evaluating the repayment schedules submitted with reference to the debtors' capacity to pay the amounts due within the time frame provided by the schedules, also considering the reductions requested to the conditions applied to the positions in question;
- examining the outcome of initiatives undertaken to normalize/recover the receivables (repayment schedules, reviews of the technical forms of usage, etc.) and the reasons for their possible failure;
- an analytical determination of the relative probability of losses, carefully considering the economic and financial context of the situation.

With regard to watchlist receivables, risks are controlled through the following actions:

- for new positions, urging their settlement;
- appointment of debt collection companies if necessary;
- the assignment of new positions to outside legal counsel in order to file legal actions against the transferred debtors, transferors, and any guarantors;
- in the case of previously classified positions, verification that the debtors have honored their commitments;
- regular verification of the correctness of the classification and analytical estimation of the losses expected on the various positions.

Classification of positions is in line with the requirements of regulatory provisions and internal regulations. Internal regulations also lay down the general guidelines for estimating the analytical anticipated losses.

QUANTITATIVE INFORMATION

1. Distribution of credit exposures by portfolio and credit quality

(thousands of euros)	Non-performing	Watchlist	Restructured exposures	Past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets valued at fair value	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-	-
4. Financial assets held until maturity	-	-	-	-	-	-
5. Receivables due from banks	-	-	-	-	20,266	20,266
6. Receivables due from financial institutions	-	-	-	-	5,401	5,401
7. Receivables due from customers	12,545	33,901	-	24,967	1,299,449	1,370,862
8. Hedging derivatives	-	-	-	-	-	-
12/31/2010	**12,545**	**33,901**	**-**	**24,967**	**1,325,116**	**1,396,529**
12/31/2009	**9,006**	**74,918**	**-**	**34,416**	**1,393,614**	**1,511,954**

2. Credit exposures

2.1 Credit exposures with customers: gross and net values

(thousands of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Impaired assets				
On-balance sheet exposures	133,480	62,067	-	71,413
a) Non-performing	54,987	42,442	-	12,545
b) Watchlist	53,138	19,237	-	33,901
c) Restructured exposures	-	-	-	-
d) Past due exposures	25,355	388	-	24,967
Off-balance sheet exposures	13,809	3,123	-	10,686
a) Non-performing	1,091	1,091	-	-
b) Watchlist	11,449	2,032	-	9,417
c) Restructured exposures	-	-	-	-
d) Past due exposures	1,269	-	-	1,269
Total A	**147,289**	**65,190**	**-**	**82,099**
B. Performing exposures				
- Past due exposures not impaired	87,061	-	592	86,469
- Other exposures	1,948,572	-	9,515	1,939,057
Total B	**2,035,633**	**-**	**10,107**	**2,025,526**
Total A+B	**2,182,922**	**65,190**	**10,107**	**2,107,625**

“Other exposures” are comprised of:

(thousands of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- On-balance sheet exposures	1,222,496	-	9,515	1,212,981
- Off-balance sheet exposures	726,076	-	-	726,076
Total	1,948,572	-	9,515	1,939,057

The item “Performing exposures – on-balance sheet exposures” show the following maturity:

(thousands of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- up to 3 months	177,633		1,695	175,938
- over 3 months to 6 months	45,991	-	560	45,431
- over 6 months to 1 year	3,164	-	33	3,131
- over 1 year	10,861	-	99	10,762
Total	237,649	-	2,387	235,262

2.2 Credit exposures to banks and financial institutions: gross and net values

(thousands of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Impaired assets				
On-balance sheet exposures	-	-	-	-
a) Non-performing	-	-	-	-
b) Watchlist	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
Off-balance sheet exposures	-	-	-	-
a) Non-performing	-	-	-	-
b) Watchlist	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
Total A	-	-	-	-
B. Performing exposures				
Past due exposures not impaired	1,339	-	12	1,327
Other exposures	24,372	-	27	24,345
Total B	**25,711**	**-**	**39**	**25,672**
Total A+B	**25,711**	**-**	**39**	**25,672**

3. Concentration of credit

3.1 Distribution of financing to customers by counterparty's sector of business

	Governments and central banks			Other public bodies			Insurance companies			Non-financial companies			Other parties		
(thousands of euros)	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. On –balance sheet exposures															
A.1 Non-performing	-	-	X	-	-	X	-	-	X	12,493	42,071	X	52	371	X
A.2 Watchlist	-	188	X	387	71	X	-	-	X	33,182	18,744	X	332	234	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due exposures	-	-	X	203	31	X	-	-	X	4,623	317	X	20,141	40	X
A.5 Other exposures	-	X	-	15,365	X	-	69	X	1	1,050,646	X	9,603	233,370	X	503
Total	**-**	**188**	**-**	**15,955**	**102**	**-**	**69**	**-**	**1**	**1,100,944**	**61,132**	**9,603**	**253,895**	**645**	**503**
B. Off-balance sheet exposures															
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	1,091	X	-	-	X
B.2 Watchlist	-	-	X	-	-	X	-	-	X	9,404	2,030	X	13	2	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	1,269	-	X	-	-	X
B.4 Other exposures	63	X	-	2,248	X	-	11	X	-	488,673	X	-	235,081	X	-
Total	**63**	**-**	**-**	**2,248**	**-**	**-**	**11**	**-**	**-**	**499,346**	**3,121**	**-**	**235,094**	**2**	**-**
Total 12/31/2010	**63**	**188**	**-**	**18,203**	**102**	**-**	**80**	**-**	**1**	**1,600,290**	**64,253**	**9,603**	**488,989**	**647**	**503**
Total 12/31/2009	**16,614**	**187**	**308**	**18,005**	**98**	**196**	**8**	**-**	**-**	**1,671,627**	**57,417**	**10,064**	**201,067**	**969**	**1,632**

3.2 Distribution of financing to customers by counterparty's geographical area

Exposures/Geographical Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
(thousands of euros)	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet exposures										
A.1 Non-performing	12,493	42,071	52	371						
A.2 Watchlist	33,605	19,029	296	208						
A.3 Restructured exposures										
A.4 Past due exposures	4,826	348	9,299	19			9,670	19	1,172	2
A.5 Other exposures	1,078,343	9,665	194,406	389	23,109	46	96		3,496	7
Total A	**1,129,267**	**71,113**	**204,053**	**987**	**23,109**	**46**	**9,766**	**19**	**4,668**	**9**
B. Off-balance sheet exposures										
B.1 Non-performing		1,091								
B.2 Watchlist	8,028	1,438	1,387	593	2	1				
B.3 Other impaired assets	1,269									
B.4 Other exposures	717,078		8,251		460		155		132	
Total B	**726,375**	**2,529**	**9,638**	**593**	**462**	**1**	**155**		**132**	
Total 12/31/2010	**1,855,642**	**73,642**	**213,691**	**1,580**	**23,571**	**47**	**9,921**	**19**	**4,800**	**9**
Total 12/31/2009	**1,721,093**	**68,586**	**164,409**	**2,069**	**14,187**	**128**	**7,457**	**73**	**175**	**18**

3.2.1 Distribution of financing to customers by counterparty's geographical area (Italy balance sheet exposures)

Status of Receivable - 12/31/2010	Northwest Italy		Northeast Italy		Central Italy		Southern Italy		Italy Islands	
(thousands of euros)	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
Non-performing	3,987	7,630	1,247	9,060	3,207	11,622	3,591	12,823	461	936
Watchlist	7,513	5,029	1,301	539	11,170	7,402	7,968	3,928	5,653	2,131
Restructured exposures	-	-	-	-	-	-	-	-	-	-
Past due exposures	3,614	92	56	3	7	6	1,037	170	112	77
Other operations	488,276	4,216	182,412	1,344	226,172	1,782	121,293	1,763	60,190	560
Total	**503,390**	**16,967**	**185,016**	**10,946**	**240,556**	**20,812**	**133,889**	**18,684**	**66,416**	**3,704**

3.3 Major risks

(figures in thousands of euros)	12/31/2010	12/31/2009
a) Amount	92,076	163,663
b) Number	3	5

In compliance with regulatory provisions, the table shows the total amount and the number of counterparties whose risk position was more than 15% of Regulatory Capital.

Risks for individual customers are considered jointly if there are legal or economic connections between said customers.

The item Amount is the sum of the on-balance-sheet and off-balance-sheet exposures for a customer, weighted according to the rules set out by the prudential system and taking into account the nature of the debtor counterparty and any guarantees obtained.

4. Models and other methods for measuring and managing credit risk

The company has factoring management software that enables daily monitoring of Major Risks, using estimated values.

5. Other quantitative information relating to credit risk

The aggregate amount of the major risks falls well within the limit of eight times Regulatory Capital.
As it belongs to a Banking Group which is subject to consolidated supervision, Factorit SpA must observe an individual limit of 40% of the Regulatory Capital for each “major risk.” At 31/12/2010, no counterparties exceeded this limit.

3.2 MARKET RISKS

Factorit does not hold products within its portfolio that expose the company to high market risks.
It is therefore subject solely to the interest rate risk on assets in the bank portfolio, with a marginal exchange rate risk.

3.2.1 INTEREST RATE RISK

Qualitative information

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

A.1. Organizational aspects

The process of managing the company's market risks related to the banking portfolio is regulated by the "Internal Controls System" Regulations.

Interest rate risk is caused by differences, in timing and methods, in repricing the interest rate for assets and liabilities. The presence of diversified fluctuations in interest rates in general causes both a change in the expected interest margin and a change in the current value of assets and liabilities, and thus a change in the economic value of the items at risk.

The characteristics of Factorit's assets and liabilities significantly diminish the impact of a change in market rates for the current value of assets and liabilities.

Quickly revolving credits and the presence of an exclusive short-term provision, ensuring frequent, closely spaced repricing, in fact make it possible to keep lending and collection conditions aligned to market situations as they arise.

1. Distribution by residual duration of financial assets and liabilities

Currency: Euro *(thousands of euros)*	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Undetermined duration
1. Assets							
1.1 Certificates of indebtedness				136			
1.2 Receivables	857,119	158,443	112,068	18,917	6,901		242,945
1.3 Other assets	3,938						
2. Liabilities							
2.1 Payables	1,150,777	2,593					
2.2 Certificates of indebtedness							
2.3 Other liabilities	95,077						3,123
3. Financial derivatives							
- Options							
+ Long positions							
+ Short positions							
- Other derivatives							
+ Long positions							
+ Short positions							

3.2.2 PRICE RISK

Qualitative information

The Company is not exposed to risks due to price fluctuation.

3.2.3 EXCHANGE RATE RISK

Factorit's exchange rate risk is marginal, given the corporate policy of systematically hedging accounts denominated in foreign currency.
This risk exists mainly with regard to the following, though the volumes are limited:

- charges and the proportion of interest receivable that is not offset by the interest payable expressed in a currency other than the Euro;
- guarantees denominated in a foreign currency backing transactions in euros

The Company does not use internal measurement models, it does monitor exposure to risk and reports it quarterly according to regulatory methods.

Quantitative information

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

Items *(thousands of euros)*	Currencies - 12/31/2010					
	US dollars	Pounds sterling	Yen	Swiss francs	Canadian dollars	Other currencies
1. Financial assets	**33,221**	**5,809**				**15,094**
1.1 Certificates of indebtedness						
1.2 Equities						
1.3 Receivables	33,221	5,809				15,094
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**32,464**	**5,724**				**15,032**
3.1 Payables	32,464	5,724				15,032
3.2 Certificates of indebtedness						
3.3 Other financial liabilities						
4. Other liabilities	**347**	**19**				
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	**33,221**	**5,809**				**15,094**
Total liabilities	**32,811**	**5,743**				**15,032**
Surplus/deficit (+/-)	**410**	**66**				**62**

3.3 OPERATING RISKS

Qualitative information

1. General aspects, management processes and methods of measuring operating risks

Factorit defines operating risks as the risk of losses deriving from inadequate or dysfunctional internal procedures, human resources, and systems, or due to outside events. This category includes losses due to fraud, human error, interruption of operations, malfunctions and unavailability of systems, breach of contract, and natural disasters.
Operating risks include legal risks, but not strategic risks or risks to reputation.

For an estimate of the equity requirement to deal with exposure to Operating Risks, the Base method (BIA – Basic Indicator Approach) was used.

Factorit participates in the more general process of measuring Operating Risks for the Parent Company, whose methods it has adopted, and also contributes to collecting data on the Group's operating losses.

Section 4 *Information on equity*

4.1 Corporate equity

4.1.1 Qualitative information

Company equity is considered to be sufficient to cover existing and prospective risks. This is also due to a prudent policy of distributing profits, which in fiscal 2007, 2008, 2009 made it possible to bring significant resources to the reserve, as follows:

- 2007 Euro 10.6 million
- 2008 Euro 15.6 million
- 2009 Euro 18.0 million

4.1.2 Quantitative information

4.1.2.1 Corporate equity: composition

Items / Figures in thousands of euros	2010	2009
1. Share capital	85,000	85,000
2. Issue premiums	11,030	11,030
3. Reserves		
- of net income		
a) legal	5,858	4,912
b) statutory		
c) treasury stock		
d) other	44,420	26,448
- other	4,953	4,953
4. (Treasury stock)		
5. Valuation reserves:		
- Financial assets available for sale		
- Tangible assets		
- Intangible assets		
- Hedging of foreign investments		
- Hedging of financial flows		
- Exchange rate differences		
- Non-current assets and groups of assets being divested		
- Special revaluation laws		
- Actuarial gains/losses on defined-benefit pension plans	-72	-72
- Amount of valuation reserves related to shareholdings valued using the equity method		
6. Equities		
7. Net income (loss) for the year	10,014	18,918
Total	**161,203**	**151,189**

4.2. Capital and regulatory ratios

4.2.1 Regulatory capital

4.2.1.1 Qualitative information

The Regulatory Authority uses regulatory capital as its principal reference point when assessing the stability of the financial intermediary and of the system.
It provides the foundation for the most important instruments of prudential control, such as the requirements to meet risks and rules on risk concentration.
The Regulatory Capital of Factorit S.p.A. at 31/12/2010 consists exclusively of Tier 1 capital, which is admitted with no limitation for purposes of calculation.

4.2.1.2 Quantitative information

Items / Values in thousands of euros	2010	2009
A. Tier 1 capital prior to the application of prudential filters	157,123	151,189
B. Prudential filters for Tier 1 capital		
B.1 Positive IAS/IFRS prudential filters (+)		
B.2 Negative IAS/IFRS prudential filters (-)		
C. Tier 1 capital including deductible elements (A+B)		
D. Elements to be deducted from Tier 1 capital	-1,146	-1,152
E. Total Tier 1 capital (C-D)	155,977	150,037
F. Tier 2 capital prior to the application of prudential filters		
G. Prudential filters for Tier 2 capital		
G.1 Positive IAS/IFRS prudential filters (+)		
G.2 Negative IAS/IFRS prudential filters (-)		
H. Tier 2 capital including deductible elements (F+G)		
I. Elements to be deducted from Tier 2 capital		
L. Total Tier 2 capital (H-I)		
M. Elements to be deducted from total Tier 1 and Tier 2 capital		
N. Regulatory Capital (E + L - M)	155,977	150,037
O. Tier 3 capital		
P. Regulatory capital including Tier 3 (N + O)	155,977	150,037

Regulatory Capital does not include the share of net income planned to be distributed.

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

Appropriate Regulatory Capital makes an adequate individual solvency ratio possible. This requirement is expressed by the ratio between the Regulatory Capital and the sum of the weighted assets in relation to the degree of risk inherent in each of them.

Credit risk and operational risk are the risks that make up the weighted assets at 31/12/2010.

For credit risk the company has chosen to use the standard approach, which entails the breakdown of the receivables portfolio into sub-aggregates, considering the counterparty and the technical form, and applying differentiated prudential treatments. The weighting ratios for exposures are based, when available, on the rating assigned to each counterparty by agencies specialized in evaluating creditworthiness.

In this regard, Factorit has identified Fitch Ratings as the ECAI to be used for determining the weighted assets for the risk related to exposures to Central Administrations, Territorial Authorities, Non-Profit Entities, Public Sector Bodies, and Regulated Intermediaries.

Again with reference to credit risk the individual ratio, applied to financial intermediaries pursuant to Art. 107 of the Consolidated Banking Act who do not collect capital from the public, is 6%.

With regard to operational risk, Factorit has adopted the basic approach. According to the basic approach the capital requirement is determined by applying a ratio of 15% to an indicator of the volume of company operations, identified as the three year average of the "earning margin."

With regard to exchange rate risk, the Company falls into the category specifically set out by the legislation, which provides that financial intermediaries do not need to meet any requirements if their "net position in foreign exchange" is less than 2% of Regulatory Capital.

Finally, as a member of a banking group that meets the consolidated equity requirements, Factorit benefits from a 25% reduction in individual equity requirements.

4.2.2.2 Quantitative information

Categories / Figures in thousands of euros	Unweighted amounts		Weighted amounts/requirements	
	2010	2009	2010	2009
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1 Standardized approach	3,498,336	3,553,250	1,635,135	1,623,744
2 Internal ratings approach				
2.1 Basic				
2.2 Advanced				
3 Securitized				
B. REGULATORY CAPITAL REQUIREMENTS				
B. 1 credit and counterparty risk			98,108	97,425
B. 2 Market risks				
1 Standard approach				
2 Internal models				
3 Concentration risk				
B.3 Operating risk				
1 Basic approach			10,513	11,762
2 Standardized approach				
3 Advanced method				
B. 4 Other prudential requirements				
B. 5 Other calculation elements			-27,155	-27,297
B. 6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 + B.5)			81,466	81,890
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			1,357,766	1,364,835
C.2 Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)			11.49%	10.99%
C.3 Regulatory capital including Tier 3 / Risk-weighted assets (Total capital ratio)			11.49%	10.99%

Section 5 Analytical statement of comprehensive income

	Items	Gross amount	Income tax	Net amount
10.	**Net income (loss) for the year**	X	X	10.014
	Other income components			
20.	Financial assets available for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	- adjustments due to impairment	-	-	-
	- gains/losses on disposal	-	-	-
	c) other changes	-	-	-
30.	Tangible assets	-	-	-
40.	Intangible assets	-	-	-
50.	Hedging on foreign investments:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
60.	Hedging financial flows:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
70.	Exchange rate differences	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Non-current assets being divested:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains (Losses) on defined-benefit plans	-	-	-
100.	Share of valuation reserves of shareholdings reported using the equity method:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	- adjustments due to impairment	-	-	-
	- gains/losses on disposals	-	-	-
	c) other variations	-	-	-
110.	**Total other income components net of taxes**	-	-	-
120.	**Comprehensive income (Item 10+110)**	X	X	10.014

Section 6 Transactions with related parties

6.1 Information on compensation of key management personnel

Executives: compensation Euro 348.3 thousand

6.2 Loan facilities and securities issued in favor of directors and auditors

See item 110.b of the income statement.

6.3 Information on transactions with related parties

6.3.1. Transaction with Banca Popolare di Milano Group (thousands of euros)

Balance sheet

Company	Financial receivables	Financial payables	Other receivables	Other payables
Banca Popolare di Milano	4,823	240,000	2,692	1,136
Banca di Legnano		38,277		8
Banca Popolare di Mantova		8,217		44
Cassa di Risparmio di Alessandria		50,371		233
Total	**4,823**	**336,865**	**2,692**	**1,421**

Income statement

Company	Interest receivable	Interest payable	Interest payable on active pool	Factoring commissions	Other commissions payable	Other charges
Banca Popolare di Milano	7	1,329	826	347	141	14
Banca di Legnano		253		4		
Banca Popolare di Mantova		24		16	2	
Cassa di Risparmio di Alessandria		331	43	56	1	
Total	**7**	**1,937**	**869**	**423**	**144**	**14**

With regard to the income statement, figures refer to the second half of 2010.

6.3.2. Transactions with parent companies and affiliates (thousands of euros)

Receivable from credit institutions

Banca Popolare di Sondrio	*Amount*
Ordinary current accounts – euros	273
Ordinary current accounts – foreign currency	367
Total	**640**

Payable to credit institutions

Banca Popolare di Sondrio	*Amount*
Ordinary current accounts	230,786
Short-term overdraft facility	130,000
Accrued liability on short-term overdraft facility	5
Advances foreign currency	53,204
Accrual advances foreign currency	16
Commissions to be paid	178
Supplier invoices	11
Accounts principals	202
Total	**414,402**

Costs – credit institutions

Banca Popolare di Sondrio	*Amount*
Interest payable	1,724
Commissions payable – expenses	80
Commissions payable – factoring commissions	131
Service contract	38
Seconded personnel	18
Total	1,991

Revenues – credit institutions

Banca Popolare di Sondrio	*Amount*
Interest receivable – ordinary current accounts	3
Total	3

Costs – customers

Sinergia Seconda Srl	*Amount*
Charges for rent payable	70
Total	70

With regard to the income statement, figures refer to the second half of 2010.

Section 7 *Other disclosures*

Other

In compliance with the disclosure obligation set forth in Art. 2497-bis of the Civil Code, following is the summary data for the latest approved financial statements of the company that performs management and coordination activity.

BALANCE SHEET

	Items under assets	12/31/2009	12/31/2008
10.	Cash and cash equivalents	81,250,810	82,745,400
20.	Financial assets held for trading	2,877,645,640	3,494,713,794
30.	Financial assets valued at fair value	98,821,727	105,216,509
40.	Financial assets available for sale	113,408,863	90,494,852
50.	Financial assets held until maturity	263,653,725	264,104,992
60.	Receivables due from banks	1,294,214,922	1,178,463,026
70.	Receivables due from customers	16,711,080,589	14,936,103,083
80.	Hedging derivatives		
90.	Adjustment of value of financial assets subject to generic hedging (+/-)		
100.	Shareholdings	146,652,702	127,653,490
110.	Tangible assets	143,363,065	152,521,127
120.	Intangible assets	6,980,823	5,315,575
	- of which goodwill		
130.	Tax assets	38,153,435	52,256,949
	a) current		28,798,823
	b) advanced	38,153,435	23,458,126
140.	Non-current assets and groups of assets being divested	45,366,162	
150.	Other assets	299,349,479	260,736,768
	Total assets	22,119,941,942	20,750,325,565

	Items under liabilities and shareholders' equity	12/31/2009	12/31/2008
10.	Payables due to banks	2,260,274,063	1,857,018,297
20.	Payables due to customers	15,896,505,024	15,094,791,528
30.	Outstanding securities	1,622,975,969	1,517,263,681
40.	Financial liabilities from trading	74,047,579	261,466,832
50.	Financial liabilities valued at fair value		
60.	Hedging derivatives		
70.	Adjustment of value of financial liabilities subject to generic hedging		
80.	Tax liabilities	99,130,238	13,100,789
	a) current	86,148,583	
	b) deferred	12,981,655	13,100,789
90.	Liabilities associated with assets being divested		
100.	Other liabilities	335,095,614	360,656,060
110.	Employee severance pay	35,657,711	36,580,044
120.	Provisions for risks and charges	112,539,863	117,427,139
	a) retirement and similar obligations	74,668,653	80,027,534
	b) other provisions	37,871,210	37,399,605
130.	Valuation reserves	-512,970	-7,407,435
140.	Redeemable shares		
150.	Equities		
160.	Reserves	433,237,067	430,617,089
170.	Issue premiums	176,084,564	176,084,564
180.	Capital	924,443,955	924,443,955
190.	Treasury stock (-)	-40,211,189	-45,452,225
200.	Net income for the year	190,674,454	13,735,247
	Total liabilities and shareholders' equity	22,119,941,942	20,750,325,565

INCOME STATEMENT

Items	2009	2008
10. Interest receivable and similar proceeds	691,877,121	981,068,416
20. Interest payable and similar charges	-245,514,875	-557,953,794
30. **Interest margin**	**446,362,246**	**423,114,622**
40. Commissions receivable	185,173,680	155,044,862
50. Commissions payable	-11,724,193	-11,327,075
60. **Net commissions**	**173,449,487**	**143,717,787**
70. Dividends and similar proceeds	3,192,320	4,909,421
80. Net result from trading	131,333,489	-123,739,548
90. Net result from hedging		68,576
100. Net income/loss from sale or repurchase of:	-1,458,725	5,540,143
a) receivables		
b) financial assets available for sale	-1,061,954	5,348,014
c) financial assets held until maturity	42,797	
d) financial liabilities	-439,568	192,129
110. Net result of financial assets and liabilities valued at fair value	7,477,343	-16,086,623
120. **Earning margin**	**760,356,160**	**437,524,378**
130. Adjustments/reinstatements of net value due to impairment of:	-145,641,939	-71,056,101
a) receivables	-141,276,374	-65,016,442
b) financial assets available for sale	-4,365,565	-2,931,040
c) financial assets held until maturity		-3,108,619
d) other financial operations		
140. **Net result from financial management**	**614,714,221**	**366,468,277**
150. Administrative expenses	-318,343,060	-295,147,601
a) personnel expenses	-156,857,660	-148,579,988
b) other administrative expenses	-161,485,400	-146,567,613
160. Net allocations to funds for risks and charges		2,000,000
170. Adjustments/reinstatements of net value for tangible assets	-12,229,992	-11,850,679
180. Adjustments/reinstatements of net value for intangible assets	-6,293,940	-5,497,433
190. Other operating charges/proceeds	38,335,796	31,917,850
200. **Operating costs**	**-298,531,196**	**-278,577,863**
210. Net income (Losses) from shareholdings	-7,233,499	-39,044,706
220. Net income from fair value valuation of tangible and intangible assets		
230. Adjustments in value of goodwill		
240. Net income (Losses) from sale of investments	-275,072	-10,581
250. **Net income (Loss) from continuing operations before taxes**	**308,674,454**	**48,835,127**
260. Income tax for the year for continuing operations	-118,000,000	-35,099,880
270. **Net income (Loss) for continuing operations after taxes**	**190,674,454**	**13,735,247**
280. Net income (Loss) for groups of assets being divested after taxes		
290. **Net income for the year**	**190,674,454**	**13,735,247**

In compliance with Art. 149-duodecies of CONSOB Issuers' Regulations, attached is the statement containing the remuneration for the year for services provided by the following parties:

- the auditing company, for auditing services rendered

Type of service	Party who provided the service	Remuneration 2010
Independent auditing	Deloitte & Touche SpA	46
Quarterly audits	Deloitte & Touche SpA	8
Interim reporting package	Deloitte & Touche SpA	11
Other services	Deloitte & Touche SpA	
Comprised of:		
Approval of tax returns (770-Single Tax Return)		7

(thousands of euros)

The above figures do not include VAT and expenses.

REPORT TO THE SHAREHOLDERS FROM THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,

We took over from the previous Auditors on July 29, 2010, at the time Banca Popolare di Sondrio acquired control of the Company and Banca Popolare di Milano assumed a 30% shareholding in such. We therefore began our activities starting on that date, in accordance with the provisions of law and the instructions promulgated by the Regulatory Authority. In carrying out our activity, we have also followed the rules of conduct recommended by the Italian National Council of Accountants and Tax Advisors.

In compliance with these provisions and rules, we have monitored compliance with the law and company by-laws, as well as observance of proper administrative principles. With regard to monitoring the adequacy of the organizational structure and internal control system, we refer to what the Directors have noted numerous times in the report on operations, i.e. that only after the aforementioned change in ownership structure was the Company in a position to implement the process of integration into the new banking group it had joined, along with the normalization of operating activity, and to upgrade the internal control system and related organizational structure. The activities undertaken to achieve these objectives are still underway, though they have already had significant effects at the operating and organizational level. Some of the most important effects include the reallocation of delegations of power for purposes of Company operating management, the establishment of new credit rules, reorganization of the commercial structure, and appointment of a party responsible for preparing the company's accounting documents. We also note that some important functions were outsourced to the Parent Company and Unione Fiduciaria and that, with the change in the ownership structure and administrative organ, both the Internal Controls Committee and the Regulatory Organ established in February 2009 pursuant to Legislative Decree 231/01 have been dissolved.

With regard to compliance with the law, the company by-laws and proper administration principles, we note that we attended the shareholders' meeting of July 29, 2010, which in addition to approving the new ownership structure also appointed a new administrative organ. We also attended seven meetings of the Board of Directors held from August 2010 to the present. We can attest that all meetings of the Board of Directors, as well as the aforementioned shareholders' meeting, were called and took place in compliance with the rules that govern their functioning. We can also attest that, during the period in which we performed our function, the Directors did not engage in any operations that were not related to the corporate purpose, or any operations which were manifestly imprudent or prejudicial to the Company, or any atypical and/or unusual operations. More in general, we note that no operations were conducted that conflicted with decisions undertaken by the Directors.

Although legal auditing is assigned to the auditing company Deloitte & Touche SpA, we have monitored its lay-out and formation methods, in particular with regard to the use of proper accounting standards, correspondence of the financial statements with operating events which occurred during the year, and the completeness of the report on operations. In this regard, in declaring that we have no comments worthy of note, we state that the report on operations complies with the relevant provisions of law. Therefore, it is exhaustive and consistent with the data and information provided in the financial statements, including with regard to the various types of risks to which the Company is exposed, including tax risks.

With regard to the latter risks, we note that during the year there were no developments in the findings by the Tax Police for the years 2005 to 2009 regarding VAT, or for the years 2006 and 2009 regarding income tax. As Auditors, we have noted that the Directors, who also considered the opinions of tax consultants on this matter, have determined that conditions still do not exist for making an allocation in the 2010 financial statements to cover the risks connected to said findings. This is further supported by the outcome of the similar complaint brought against the former parent company Banca Italease, again by the Tax Police, for the years 2003, 2004 and part of 2005, as the case concluded with a decision in favor of the Bank.

To complete our report, we note that the Board has received no petitions from third parties or any complaints pursuant to Art. 2408 of the Italian Civil Code.

Dear Shareholders,

In view of the above, and noting that the audit report issued by Deloitte & Touche SpA contains no reportable findings on the financial statements, nor any requests for information on what the Directors have analytically illustrated in the Report on Operations and the Explanatory Note, we express our opinion in favor of approving the financial statements for fiscal 2010 and the related proposal for allocating net income.

Finally, as attorney Raffaele Ferrara resigned his position as auditor in September, we ask you to supplement the Board and appoint its Chairman.

Milan, March 11, 2011

THE AUDITORS

Pio Bersani, Chairman
Flavio Dezzani, Statutory Auditor
Mario Vitali, Statutory Auditor

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND TO ART. 165 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
FACTORIT S.p.A.

1. We have audited the financial statements of Factorit S.p.A., which comprise the balance sheet as of December 31, 2010, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 2, 2010.

3. In our opinion, the financial statements give a true and fair view of the financial position of Factorit S.p.A. as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. Factorit S.p.A., as required by law, has indicated in the notes to the financial statements the key financial data of the most recent financial statements of Banca Popolare di Sondrio S.C.p.A., that exercises activity of management and coordination. Our opinion on the financial statements of Factorit S.p.A. does not extend to such data.

5. The directors of Factorit S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Factorit S.p.A. as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 11, 2011

This report has been translated into the English language solely for the convenience of international readers.

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