Factorit

GRUPPO Banca Popolare di Sondrio

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ANNUAL REPORT AND FINANCIAL STATEMENTS AT DECEMBER 31, 2011

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Factorit
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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 – info@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).

Share Capital Euro 85,000,002.00 fully paid-up

Member of Assifact – Association of Italian Factoring Companies

Member of Factors Chain International

ADMINISTRATIVE AND AUDITING ORGANS

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

Auditing Company

Deloitte & Touche S.p.A.

Shareholders

Banca Popolare di Sondrio	60.5%
Banca Popolare di Milano	30.0%
Banca Italease	9.5%

Affiliates

Milan
Via Cino del Duca 12 - 20122 Milan
Tel. 02 581501 - Fax 02 58150205

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Via Cibrario 17 a bis - 10143 Turin
Tel. 011 3840691 - Fax 011 3840685

Padua
Piazza dell'Insurrezione 10 - 35139 Padua
Tel. 049 663370 - Fax 049 652827

Bologna
Via Emilia 185 - 40068 San Lazzaro di Savena (BO)
Tel. 051 6443751 - Fax. 051 6443761

Rome
Viale Cesare Pavese 336 - 00144 Rome
Tel. 06 94359720 - Fax 06 94359735

Naples
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Tel. 081 7618545 - Fax 081 2404026

DIRECTORS' REPORT

Dear Shareholders,

The 2011 financial statements, your Company's thirty-third, have closed with net earnings of Euro 9,783,403.

2011 was a year of consolidating results achieved after the corporate changes during the second half of 2010.

Actions continued on the organizational structure, in particular in terms of the sales structure and system of controls. Strong efforts continued on the work of developing the distribution channel, which consists of shareholders banking networks.

Thus, as was hoped, the Company returned to normal business activities during the year.

INTERNATIONAL INFORMATION

In a departure from our usual custom, we have taken the liberty of expanding our examination beyond the numbers and events of the past year, because the events of recent years are nothing more than individual manifestations of a structural process that is still underway.

From the "subprime" crisis of 2007 to the collapse of Lehman Brothers (September 2008), from the financial sector that infected the real economy to the national budget problems first in Ireland, then Greece, Spain, Portugal, Italy, and Europe in general, sparing not even the United States, we are clearly seeing the symptoms of a systemic crisis that can only be addressed by a profound reconsideration of the current model of world development, within which the production system is increasingly at the mercy of the financial world.

This has produced vast and profound problems, first and foremost the issue of reforming the rules that govern financial markets in order to "contain the risks to stability, increase collaboration among authorities, and expand regulatory powers." In other words, steps must be taken to ensure that finance returns to the service of the economy and the economy to the service of the people.

Problems of this kind cannot be addressed by individual countries, but require international cooperation. This is another reason why the euro area must regain its unity of intent and action in order to overcome the crisis that has been undermining its identity and credibility for some time. This is the prerequisite for renewing cooperation with the USA and Japan and establishing innovative relationships with China, India, Brazil and other emerging countries.

Keeping this in mind, we return to the data for 2011, which shows a growth in world GDP of around 3.5% with persistent, extensive heterogeneity among the various zones. Also influenced by the political situations in the various producer countries, the price of crude has fed inflation, while repeated record gold prices, which hit 1,895 dollars an ounce in September as investors took refuge in safe investments, were a sign of the widespread feeling of uncertainty.

In the United States, GDP continues to slow and on average during the first three quarters of 2011 – the period of time we will use as an indicator unless otherwise indicated – the economy grew by 1.8%.

The sharp drop in inventories negated the good increase in consumer spending (+2.7%) – accompanied by unemployment which dropped from a high of 9.8% in January to a low of 8.2% in November – with imports (+5.4%) finally kept to less than exports (+7.4%). The significant boost (+6.6%) from fixed investments, including residential, which are all about to receive new stimulus as the FED flattens the yield curve, is counterbalanced, under circumstances of rising inflation which approached 4%, by the restrictive impact of public spending (-1.9%), imposed by the impairment of the federal budget due to the loss of triple A rating.

Although it usually reflects that of the USA, this time Canada's GDP (+2.4%) reported a certain advantage, although it also slowed in comparison to 2010, similar to what is happening to the south, in Mexico (+4.1%) and Brazil (+3.2%). In a countertrend, growth continued in Argentina (+9.4%) and Chile (+7.1%).

The fact that market difficulties are beginning to affect the strong growth in the Orient can be seen from the economic situation in China - with a growth rate that dropped from 10.4% in 2010 to 9.4% - and India, which went from 8.7% to 7.5%.

The situation is different in Japan, where the current recession (-0.7%) was coupled with the nuclear disaster in Fukushima. The last report showed a drop in unemployment, which is now closer to 4% than to 5%, while deflation, which relented slightly during the summer, returned in October (with a -0.2% variation in consumer index).

While the other leading countries in Asia still grew at a good pace, to some extent they all slowed down: to 3.7% in South Korea, 3.1% in Thailand, and 5.1% in Malaysia. Singapore actually reported a drop from 15% to 5.5%, and Taiwan from 11% to 4.9%.

Completing the map of the BRIC countries, the June result for Russia was 3.8%, just two tenths of a point less than the previous year.

On the contrary, the euro area reported a slight improvement, though the figures continue to be unsatisfactory (+1.8%) which in this case as well conceals a negative trend from the first quarter (+2.4%) to the third quarter (+1.4%).

Performance reflects that of its major members: France (+1.8%, with a drop from 2.2% to 1.6%) and Germany (+3.4% with a modest drop from 4.6% to 2.6%). Spain has at least returned to positive territory (+0.8%). Outside the monetary area, and even since the recent intergovernmental agreements, the United Kingdom has slowed to 0.9% due to a third quarter that only reached 0.5%.

In addition, unemployment in the euro area, which in June had dropped to 9.7%, rose to 10.4% in October, despite the fact that during the same period

German unemployment dropped from 6% to 5.2%. In its turn, inflation worsened, after ending 2010 at 2.2% and settling around 2.5% after a peak in April, and hit 3% between September and November.

Nevertheless, because the troubles originated more from weak growth than from price changes, the European Central Bank, which between April and July followed monetary orthodoxy to raise the rate of reference from 1% to 1.50%, annulled these actions and returned to the previous level when President Draghi took over between November and December.

In the current difficult situation, Europe has confirmed the need for a stronger political union – fiscal coordination will not be enough – along with the monetary union: this is the only way the Central Bank can perform a more incisive role.

Switzerland also slowed: from 2.7% in 2010 to 1.9%, showing in the third quarter a percentage point below the 2.3% of the first quarter. Consumer spending under 1% and public spending around 1.3% would seem to pale in comparison to investments of 4.7%, if the latter figure did not incorporate a collapse from an ephemeral +8.7% for the first quarter to a modest +1.4% for the last period. Foreign trade remained positive: +2.8% for imports, +4.8% for foreign sales.

With regard to prices, deflation reappeared: the harmonized index of consumer prices, which hit a high of +1% in March, in fact showed some negative signs after the summer, with November closing at a low of -0.8%.

In such an atmosphere, with worries about growth predominant here as well, along with anxiety regarding the exchange rate, the Swiss National Bank once again began to cut - not the lower target range of the 3-month LIBOR, which has been at zero for some time, but rather the upper range, from an already low 0.75% to a rock bottom 0.25%.

ITALIAN SITUATION

According to the preliminary ISTAT estimate, Italy's GDP grew by only 0.4% in 2011. Moreover, two figures indicating negative economic growth (-0.2% for the third quarter was followed by -0.7% for the fourth quarter) led the way to a "technical recession." With regard to individual components, based on September figures, the most recent available, the trend (+0.6%) was substantially determined by private consumption (+0.7%), while the drop in investments (-0.4%) and public spending (-0.3%) was counterbalanced by a good contribution from the foreign channel, with exports increasing more than imports (+7.6 compared to +3.2%) while prices remained steady. In addition, at current prices, the trade balance for the year showed a deficit of over 24 billion, which is almost completely due to relationships with non-EU countries and has decreased from 30 billion in 2010.

The unemployment rate, which dropped from 8.6% in the first quarter to 7.5% in the third quarter, bounced back up to 9.8% in the last two months. The figure for the population aged 15 to 24 was extremely worrisome: while it dropped to about 23% in the summer, in November it hit a record 34.2%.

From a low of 1.9% in January, inflation surged during the fall months, spurred by an increase in ordinary VAT to 21%. It finally settled at 3.7%, incorporating an unfavorable differential of exactly one point from the Eurozone average, which had instead reported one tenth more at the end of the previous year.

In the difficult European situation, as Italy's massive public debt became less sustainable, due to forecasts of declining economic growth, the markets thus penalized our government securities. The country risk, measured by the spread with German securities, despite repeated provisions for correcting accounts, continued to accentuate, driven by the ratings downgrade imposed by the three principal agencies between September and October.

The spread on ten year yields thus reached its peak of 575 bp on November 9, which corresponded to the crisis caused by the resignation of the Prime Minister.

Faced with the weak economy and increased charges to service the debt, the new "technical" government quickly prepared new corrective measures of more than 30 billion euros: 12 billion in spending cuts, including over 3 billion in the social security area; 18 billion from increased revenues, primarily thanks to the IMU (Municipal Property Tax) and revaluation of assumed property revenues, as well as the new increase in VAT as of September 2012.

The anticipated effect is to reduce the deficit/GDP ratio from the estimated 3.9% for 2011 to 1.6% in 2012, confirming the commitment already made in Europe to balance the budget the following year.

After once again rising, to about 120% from 118.4% in 2010, the debt/GDP ratio may also begin to drop.

Faced with all this, the cited spread, which dropped to 373 bp after approval of the so-called "Save Italy" decree, then closed the year around 520 bp.

FACTORING, THE GLOBAL MARKET

The data now available on the performance of the international market refers to fiscal 2010, which at the global level, according to FCI (Factors Chain International, the network with which Factorit is also associated), resumed strong growth after two years of losses associated with the global recession of 2008.

The total volume of brokered receivables, equal to 1,648 billion euros, constituted an increase of 28.4% compared to the previous year. Specifically, the increase in domestic receivables was 25.4%, while growth in receivables from international transactions was 48.6%.

The upsurge in growth was in particular determined by emerging economies, some of which, in addition to indicating volumes which are beginning to be quantitatively significant, reported extraordinary percentage increases: 92% for Turkey, with a result of 39 billion euros; 65% for Brazil, with 49 billion euros; and 98% for Taiwan, with 67 billion euros.

China in particular had growth of 130%, and with a total volume of brokered receivables of 154.6 billion euros earned second place in FCI's country rankings, after the United Kingdom, which historically continues to come in first, with a total volume of 226.2 billion euros, with an increase of 16% compared to the previous year, closely followed by France, with 153.2 billion euros (+20%) and Italy, which continues to place near the top on the international scene, reporting a total volume of 143.7 billion euros (+16%).

This is followed by Germany, with a volume of 139.4 billion and growth of 35% compared to the previous year, Spain with 112 billion (+7%); Japan with 98.5 billion (+18%) and the United States with 95 billion (+7%).

If the valuation shifts from an overall measurement of volumes of factoring, including domestic and international, to only international factoring, the United States continues to be the leader among importers, followed by Germany, France, Spain, Italy, the United Kingdom and China, with China in first place among exporting countries, followed by Taiwan, Spain, Turkey and France. Italy is ranked number eleven in this case.

We should not forget that 2010 was a year of recovery for the global economy, a trend that was also projected for the first quarter of 2011 but did not actually manifest during the months that followed, as several important recessive factors emerged: the earthquake in Japan, the growing debt crisis in Europe, uncertainty on consolidation of public finances and the difficulties in production recovery in the United States.

These events, and the negative performance of the global economy, could also have a negative effect on the volume of trade. Despite this, and in fact even because of this, the domestic and international "factoring system," aimed at regulating trade and providing it with financial support and protection from credit risks, continues to expand. The FCI network grew even during 2011, and 253 factors are now members, ensuring a presence in 69 countries.

FACTORING, THE DOMESTIC MARKET

Like 2010, during 2011 as well the Italian factoring market continued to report steady growth in all performance indicators.

Total volume of receivables assigned during the period (turnover) came to 168.9 billion euros, an increase of 21.9% compared to the previous year.

The balance of existing (outstanding) receivables at December 31, 2011 was 57.2 billion euros (+10.3%). Financial advances and payments made to clients came to 45.1 billion euros (+12%) and constitute 78.8% of the balance.

Table 1. **Development of the factoring market in Italy**

	2008	2009	2010	2011
Turnover	121,935,932	118,042,144	136,755,784	168,860,383
Outstanding	42,078,268	43,999,021	50,817,961	57,248,041
Advances	31,125,332	33,482,288	39,259,127	45,132,438
Advances on Outstanding	74.0%	76.1%	77.3%	78.8%

(values in thousands of euros)

Market growth was driven by several of the leading banking associations, in particular Intesa Mediofactoring (49.6 billion euros in receivables assigned during the period, +47.3%), Unicredit Factoring (25 billion euros, +20.4%), and MPS L&F (9.1 billion euros, +38.2%).

Although the economic cycle had a negative impact on business activities, recourse to factoring continued to be encouraged by a number of factors: its usefulness during economic downturns, when payments for supplies from companies tend to be slower, in particular supplies to public bodies; and less product risk than other technical forms offered by banks, which thus makes it easier for companies to obtain credit in this manner.

Table 2. **Development in volumes of turnover and market shares of leading operators**

Company	Turnover 2008	MS 2008	Turnover 2009	MS 2009	Turnover 2010	MS 2010	Turnover 2011	MS 2011
Intesa Mediofactoring	26,124,662	21.4%	26,996,831	22.9%	33,685,916	24.6%	49,614,563	29.4%
Ifitalia (BNL Paribas)	22,246,786	18.2%	22,192,413	18.8%	23,930,356	17.5%	26,352,014	15.6%
Unicredit Factoring	18,514,634	15.2%	18,751,071	15.9%	20,809,911	15.2%	25,051,052	14.8%
Factorit	**13,661,229**	**11.2%**	**11,491,300**	**9.7%**	**11,340,559**	**8.3%**	**11,179,694**	**6.6%**
MPS L&F	5,826,173	4.8%	5,445,166	4.6%	6,608,490	4.8%	9,134,469	5.4%
UBI Factor	5,511,069	4.5%	4,464,234	3.8%	7,526,010	5.5%	8,210,539	4.9%
Total Market	**121,935,932**	**100.0%**	**118,042,144**	**100.0%**	**136,755,784**	**100.0%**	**168,860,383**	**100.0%**

(values in thousands of euros)

The Italian market has proven to be highly competitive and concentrated. In fact, the volume of receivables assigned to the top six operators, all of which are banking associations, constitutes 76.7% of the total.

These also include Factorit, which, with 11,179.7 million euros in total receivables assigned, ranks fourth in terms of turnover, with a share of 6.6%, thus confirming its role as a reliable and qualified operator.

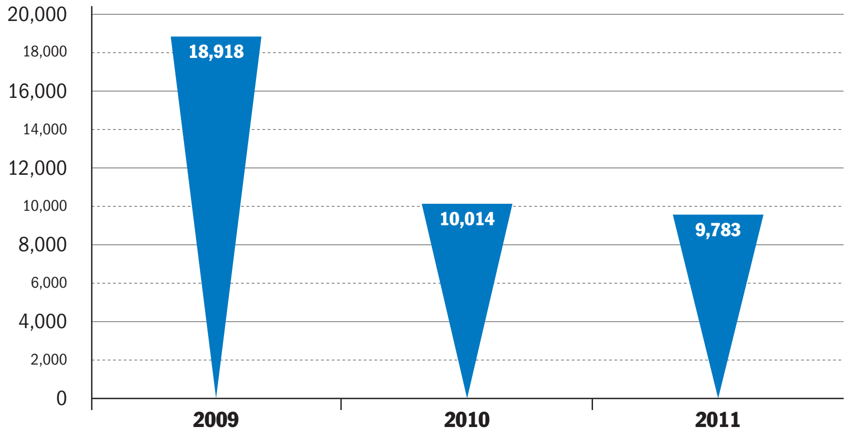
COMPANY PERFORMANCE

Economic and income results

The year 2011 was difficult in terms of economy and continued high credit risks.

The Company ended the year with Net Earnings of 9.8 million euros, after gross value depreciation and impairment of receivables for 22.7 million euros and of other financial transactions for 0.7 million. Value reinstatements were respectively 3.8 million euros on receivables and 2.3 million on other financial transactions. Total net adjustments thus come to 17.3 million euros.

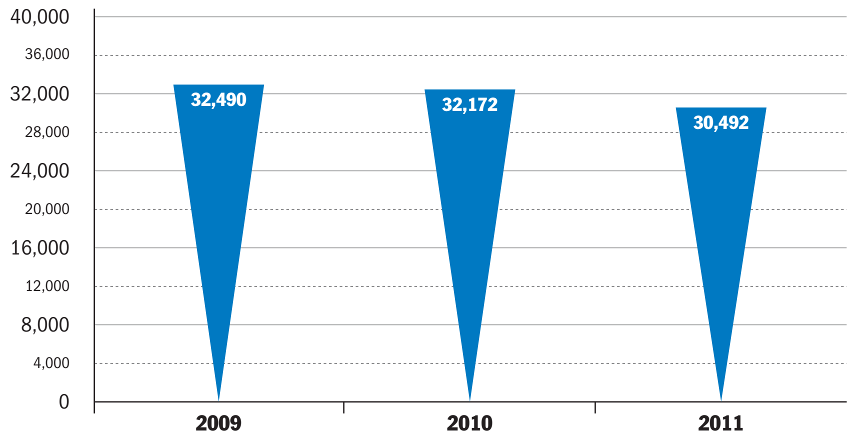
Graph 1. **Performance of Net Earnings** *(thousands of euros)*



The activity generated an earning margin of 55.5 million euros, of which 25 million is from financial proceeds and 30.5 million from commissions, both lower than the previous year.

The erosion of spreads caused by the gradual increase in the cost of collection had a negative effect on financial proceeds, and commissions were influenced by the lower incidence of products with greater added value, in particular maturity factoring, on total receivables assigned.

Graph 2. **Performance of Commissions** *(thousands of euros)*



The higher net operating costs – 20.3 million compared to 15.3 in 2010 – can be attributed to greater expenses due to various factors: settlement of the tax dispute regarding the years 2005-2009; costs of investments in new IT applications; addition of new resources; and the transfer, starting December 2010, of Company headquarters to a prestigious location in central Milan owned by the parent company.

Results before taxes, which came to 17.9 million euros, were affected by net adjustments in value for a total of 17.3 million euros (26.9 million in 2010), the consequence of the impairment of several positions.

In order to permit a clearer and more immediate view of the Company's economic performance, the following table correlates results and various principal indicators for the year, compared with data for the previous year.

Table 3. **Principal economic data reclassified**

	2010	2011
Net commissions	32,172	30,492
Net financial proceeds	26,903	25,018
Net profit from trading activity	-	10
Earning margin	**59,075**	**55,520**
Total net operating costs	**15,343**	**20,269**
Gross operating profit	**43,732**	**35,251**
Net operating profit	**17,194**	**17,926**

(thousands of euros)

	2010	2011
Cost/Income	26.0%	36.5%
ROE	6.2%	5.9%
Interest margin / Earning margin	45.5%	45.1%
Services margin /Earning margin	54.5%	54.9%

Principal operating information

During the early months of the year, the sales offices of Florence, Rome and Bologna were relocated to buildings owned by Banca Popolare di Sondrio and Banca Popolare di Milano.

The Turin office was transferred to parent company property on January 20, 2012.

The Genoa office was closed, but the profitable relationship with the city affiliate of the parent company continued so as not to interrupt operations in the territory it handles.

No changes were made in the sales offices of Padua and Naples.

During the Board of Directors' meeting of April 28, 2011, the members of the Organismo di Vigilanza were appointed.

On April 30, the General Manager Marziano Bosio turned in his resignation.

On May 25, the Board of Directors appointed the delegate for Reporting Suspect Operations.

On June 23, the Board of Directors resolved to entrust general management of the company to the Managing Director, who, during the same meeting, was appointed Privacy Manager pursuant to Legislative Decree 196/2003.

On November 23, the Board of Directors resolved to establish the Risk Management department and, in compliance with the provisions promulgated by the Bank of Italy and the guidelines of the parent company, resolved to establish the Anti-Money Laundering Department. During the same meeting, a regulation was also approved on the parent company's wage policies.

A contract was signed with a new file/data storage company for all Company documents, which will result in significant savings.

There were numerous IT actions, in part due to the termination of the last outsourcing contracts inherited from the company's previous Group, in part to the need to adjust to the new parent company's standards, and in part for purposes of modernization and development.

An outsourcing contract was signed with the company T-System, which in 2012 will take over from Itaca Service in providing technological services. All arrangements regarding technological migration have been made, which will include, in addition to the supply of network services and the relative infrastructures, the replacement and modernization of all hardware and various software packages utilized for desktop activities.

A common platform design was created for online training, which will make complete synergy possible with the training plans of the parent company, Banca Popolare di Sondrio.

New software packages were acquired in order to comply with the new provisions on preventing money laundering.

Sales Performance

The amount of receivables assigned during the period came to 11,179.7 million euros, a slight drop from the previous year (-1.4%). The drop is due to the reduction in operations with several important clients and the negative performance of sectors such as the automotive sector and large retail chains, where several historic clients are located, as well as the steps taken to limit exposure to counterparts who showed some signs of difficulty.

This action to reduce the most risky exposure was in good part balanced by the development of new clients, who increased by 61.2% compared to the previous year.

The total number of active Clients on December 31 was 1,431, compared to 1,273 for the previous year, an increase of 12.4%. These are companies with good standing that are diverse in terms of size, mainly belonging to the SME segment.

The growth in new production is in large part the result of the positive contribution from banking distribution channels, in particular from banks within the territory of shareholder institutions. These latter in fact accounted for 73.6% of new client recommendations.

Receivables assigned without recourse, that is with guaranteed collection, came to 59.9% of total turnover, while those sold with recourse accounted for 40.1%. The ratio between the two types regained balance from the previous year, when the subdivision was respectively 62.6% without recourse and 37.4% with recourse. The market figure for the breakdown of the two types is 31.9% of receivables assigned with recourse and 68.1% of receivables assigned without recourse, with smooth continuity from the previous year.

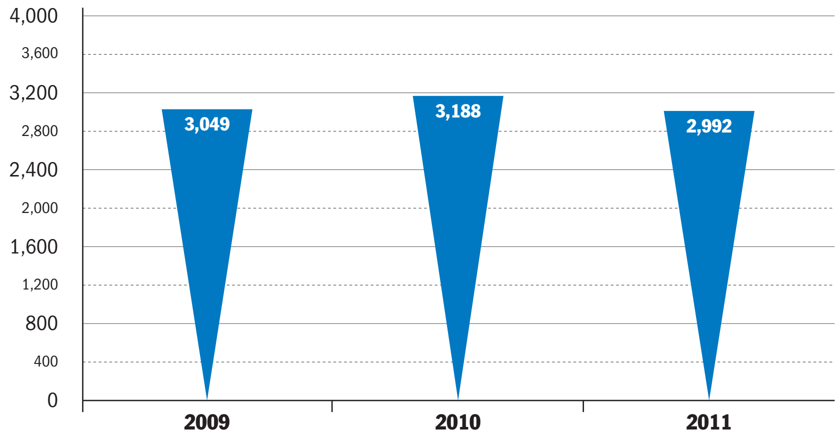
Table 4. **Operating data**

	2010	2011	Deviation
Turnover	**11,340,559**	**11,179,694**	**-1.4%**
Without recourse	7,094,396	6,699,643	-5.6%
With recourse	4,246,163	4,480,051	5.5%
Net Commissions (%)	**0.28**	**0.27**	
Advances (Stock) at 12/31	**1,402,548**	**1,686,988**	**20.3%**
Outstanding	**3,188,233**	**2,992,243**	**-6.1%**
Without recourse	1,523,218	1,298,130	-14.8%
With recourse	1,665,015	1,694,113	1.7%
No. documents processed	**2,626,250**	**2,515,154**	**-4.2%**

(values in thousands of euros)

The balance of existing (outstanding) receivables at December 31 came to 2,992.2 million (-6.1%).

Graph 3. **Balance of outstanding receivables** *(millions of euros)*



The number of documents processed, in terms of the administrative handling of sales of credit, exceeded 2.5 million, a slight decrease from the previous year, but is nevertheless significant in representing the business's operating capacity and the validity of the management information system that supports it.

The average duration of receivables dropped to 98 days, compared to 103 for the previous year (124 was the market average in 2011).

The decrease in turnover time is an expression of a more virtuous duration of receivables acquired. This is a significant result, as it was achieved despite the fact that the Company is more active in the segment of supplying the public administration, which is typically characterized by longer payment times.

Except for receivables with public bodies, the specialized products segment was, as anticipated, affected by the fragility of the economic scenario and the effect of actions taken to contain exposure which was considered to be potentially risky.

Of products, maturity factoring accounts for 26.9% of turnover, 5.2 percentage points less than the previous year, but nevertheless a significant amount. The volume of products with guarantee only without notice (18% of the total) and advance only without notice (14.5%) remains unchanged and significant.

On the other hand, the performance of traditional factoring products improved (reaching 40.6% of the total, 5.8 percentage points more than 2010), due to a greater presence of SMEs among newly acquired clients, which follows, in particular, the commercial strategies and client portfolios of the parent company.

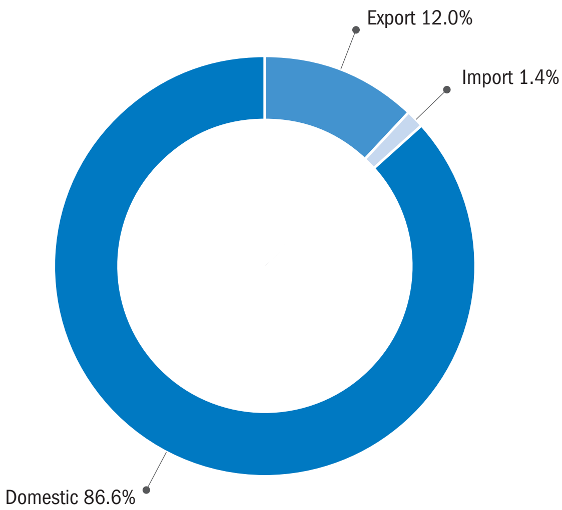
Table 5. **Product Segmentation**

	2009	2010	2011
Financing without notice	10.9%	13.9%	14.5%
Guarantee only without notice	16.9%	18.4%	18.0%
Maturity Factoring	38.4%	32.1%	26.9%
Traditional Factoring	32.1%	34.8%	40.6%
Other	1.7%	0.8%	0.0%
Total	100%	100.0%	100.0%

Percentage values

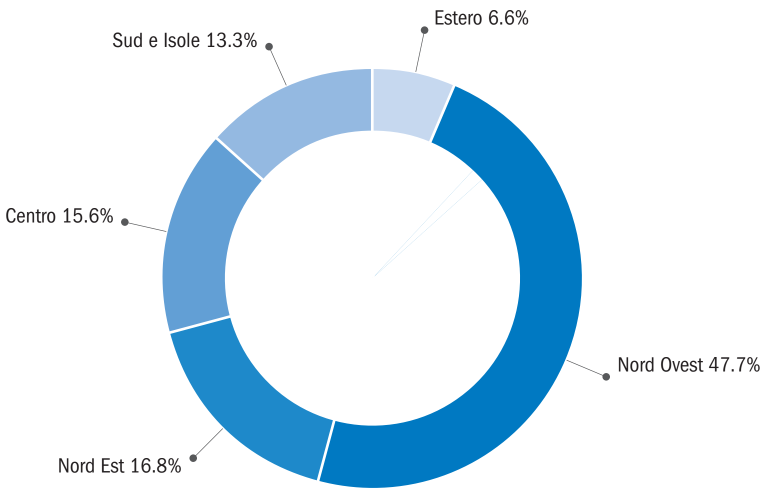
Domestic operations constitute 86.6% of total receivables assigned, export factoring accounts for 12%, with assignments of 1,338.5 million euros, and import factoring accounts for 1.4%.

Graph 5. **Territorial distribution of turnover**



Development activity focused more closely on territories with a larger presence of shareholder institutions, and while the contribution of the well-covered Lombardy region remained unchanged (accounting for a total of 34.6% of overall volume), the contribution of Lazio, Piedmont, Liguria and Emilia Romagna increased in terms of the value of receivables sold. In addition to a decrease in clients headquartered in foreign countries, there was a significant drop in volumes generated by clients in Sardinia and Campania.

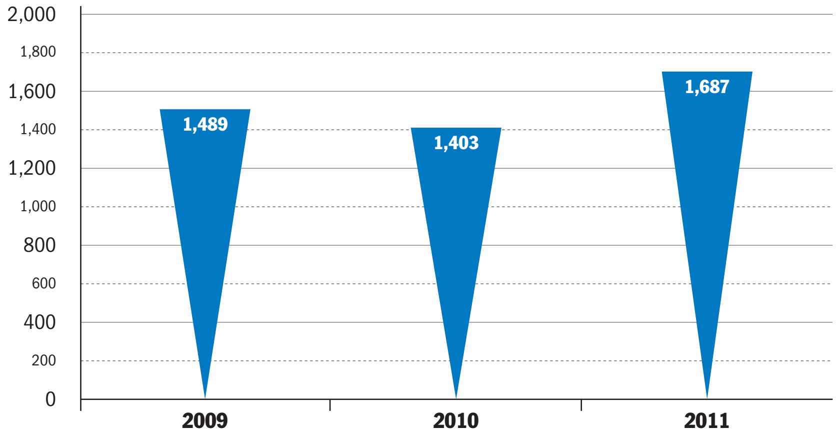
Graph 6. **Geographical distribution of assignors by macro areas**
(based on assignor's residence)



The amount of advances at December 31, 2011 was 1,687 million euros, equal to 56.4% of existing receivables, and while this percentage is considerably less than the market average, it shows an increase of 20.3% over the previous year.

Company stability, which has recently been restored, and membership in a banking group with a good rating have in fact made it possible to bring collection and client financing activity back to normality.

Graph 7. **Performance of advances at December, 31** *(millions of euros)*



The company's ability to maintain its position at the highest market levels, despite more limited financial capacity compared to that of its leading competitors, attests to the high quality of its products and services offered, which continue to constitute a distinctive element and a strong point of the Company.

Distribution Channels

The amount of assignments from Clients indicated by shareholder banks came to 3,271.6 million euros, accounting for a total of 29.3% of receivables assigned, with an increase of 16.8% compared to the previous year; this is primarily due to the efforts of the parent company Banca Popolare di Sondrio. There are 68 banks that have a product distribution agreement with Factorit, including banks in the territory of the shareholder institutions.

Considering the banking channel as a whole, Clients recommended by shareholder banks and partner banks contributed 4,212.5 million, equal to 37.7% of the total.

Clients from the "direct" channel, on the other hand, assigned 6,746 million euros, a drop of 8.2% compared to the previous year, in favor of clients of banking origin.

The contribution from foreign correspondents decreased. The volume of receivables from import factoring operations reported through FCI (Factors Chain International) was 152.7 million euros compared to 169.5 for the previous year (-9.9%).

The remaining difference of 68.5 million is due to receivables sold by clients recommended by non-partner banks, in course of castinoff.

Table 6. **Turnover broken down by distribution channel**

	2010	Incidence	2011	Incidence	Discrepancy
Total Turnover	**11,340,559**		**11,179,694**		**-1.4%**
Banks	3,824,591	33.7%	4,280,990	38.3%	11.9%
Direct	7,346,498	64.8%	6,746,004	60.3%	-8.2%
Import	169,470	1.5%	152,700	1.4%	-9.9%

(values in thousands of euros)

Statutory compliance

In July the Security Policy Document was updated.

An assessment of the Internal Control System (ICS), performed within the sphere of a broader project which encompasses previous statutory compliance projects regarding the inventory of information flows and the creation of operating manuals on litigation, receivables and monitoring was carried out.

In compliance with the relevant provisions promulgated by the Bank of Italy and the parent company's guidelines, the Risk Management Service and Anti-Money Laundering department were established.

Consistent with the parent company's regulations, on September 21 the Board of Directors approved the group regulation on "Company policies for managing risks related to money laundering and financing terrorism." The same meeting approved the "Regulations on Reporting Suspicious Operations", based on guidelines from the parent company, which was followed by the promulgation of internal service orders on specific related matters.

Jointly with the competent offices of the parent company, it was decided to adopt market software solutions for all areas related to Anti-Money Laundering: the Centralized Computer Archive, responses to requests from the Judicial Authorities, and control lists (PEP, anti-terrorism, etc.).

Organizational structure and human resources

During the year, the company organization model included the position of Managing Director, who acts under the direct supervision of the Board of Directors. This position also acted as General Manager, who is delegated to handle commercial activities and who supervises the Credit Service, the Legal and Litigation Service, the Risk Management Service, the Accounting and Supervisory Office, the Treasury Office, the Organization and Human Resources Sections, and the ITC offices.

The Risk Management Service was established, operating under the direct supervision of the Managing Director. The Risk Control Section and the Anti-Money Laundering Office were placed under the direct supervision of the Risk Management Service. The development and structuring of the service were planned so that it would be able to meet all company and parent company needs in terms of internal controls.

The sales structure was subject to ongoing organizational reviews in order to continually adapt it to the market needs expressed by distributing banks. The most significant activity involved the creation, in late October, of two macro-areas, a Lombardy area and an Affiliates Area, in order to better organize control of territories where there are more shareholder bank offices.

The structure of the client management service (assignors and debtors) was consolidated. It was created at the end of the previous year with the goal of centralizing all operating and sales relationships with clients and freeing up resources in the territory to be dedicated to full-time development activity.

The "functional relationship" with the territorial structures of the parent company was intensified, both in terms of controlling the risk and from a more typically commercial perspective.

In order to permit those responsible for managing client relationships to concentrate on more typically sales-related activities and control managed risks, a large part of administrative activities was transferred to the Factoring Accounting office.

Because of the expansion of factoring operations in the energy distribution sector, management was centralized into a single office, with the goal of consolidating the knowledge required to efficiently control the related risks.

Table 7. **Average employees**

	2010	2011
Executives	2	3
Mid-level managers	67	64
Employees	77	78
Total	**146**	**145**
of which part-time	*16*	*18*

During the year 8 employment relationships terminated, while there were 16 hires, 10 of which were pursuant to an apprenticeship contract, 2 of which were temporary in order to cover maternity leave, and 4 were indefinite. Of these, 1 came from Alba Leasing and 1 from Banca Italease. The average figure for total employees (145) does not include any weighting, in particular with regard to the 18 part-time contracts. The peak number of employees at December 31, 2011 was 152 units, including 85 men and 67 women.

During the year training activity also resumed at full speed. A detailed orientation process was implemented for new hires, which includes basic training on typical banking issues, at the parent company; specialized classroom training both in and outside the company; and mentoring within the company. Continuing professional education also resumed for all other employees, through both specialized initiatives and general training on issues of common interest.

The e-learning project shared with the parent company was perfected, thus making it possible to use Distance Learning for certain continuing education cycles.

Risks Linked to the Company's Business

Interest rate and liquidity risk trends

With regard to interest rate risk, refer to specific Section 3 in the explanatory note – Information on Risks and the Related Hedging Policies.

With reference to liquidity risks, for financial year 2011 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 for 2011, the ongoing aftereffects of the recent macroeconomic instability continued to be reflected in all Italian domestic market problems, although without jeopardizing the overall quality of the existing portfolio.

At December 31, 2011, non perfoming on balance sheet exposure, before adjustments, came to 53.2 million euros and corresponded to 3.2% of overall capital advances. These positions, net of adjustments, come to 9.2 million euros (12.6 million in 2010), equal to 0.5% of advances (0.9% in 2010), which at December 31, 2011 came to 1,687 million euros (1,403 million at December 31, 2010).

Doubtful on balance sheet exposures at December 31, 2011, before adjustments, came to 34.4 million euros (53.1 million euros in 2010) and came to 19.9 million euros net of adjustments (33.9 million in 2010).

At December 31, 2011, total losses of 25 million euros were reported (23.8 million in 2010). In detail: 17.5 million euros related to exposures with assignors; 5.1 million euros for debtors; 0.4 million euros for fees and receivables of less value and, finally, 2 million euros for transactions related to lawsuits against the company or revocatory actions The amount booked was totally covered by the appropriate funds.

Concentration of risk and guarantee capital

During 2011, compliance with the parameters established by current applicable regulations continued to be supervised, and applications were implemented to adapt monitoring to concentrations of risk.

At December 31, 2011, 12 positions were identified which could be classified as "Significant Individual Risks". With regard to the two major "Significant Risk" positions, for leading Industrial Groups, the parent company issued two bank guarantees to cover the gap in individual limit.

For more details on concentration of risk, see the Explanatory Note – Section 3 "Information on risks and the related hedging policies" and on Guarantee Capital in Section 4 – Information on Equity.

Business continuity

In light of the stability of the current stock structure and considering that the Company has no capitalization problems and has a positive history behind it, the Directors declare that the requirement of business continuity has been met.

Other information

With regard to the general inspections performed during fiscal 2009 by the Guardia di Finanza for purposes of assessing direct taxes and VAT for the years 2005 to 2009, we note that during the year the Company settled all litigation with the Agenzia delle Entrate. The disputes primarily referred to the applicability of VAT to several transactions.

In particular, the dispute regarding the 2005 tax period was settled on June 28, 2011 by concluding a judicial settlement pursuant to Art. 48 of Legislative Decree no. 546/92, while the disputes regarding the years 2006 to 2009 were settled on June 30, 2011 by reaching a tax assessment agreement pursuant to Legislative Decree no. 218/97.

These financial statements therefore reflect the economic effects of the settlement in question. We believe that no specific conditions exist for posting risks and charges.

Information on relationships with Group companies, required by paragraph 2, point 2 of Art. 2428 of the Italian Civil Code, is 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 Italian Civil Code, we note that your Company does not own any treasury stocks 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, pursuant to paragraph 6 bis of Art. 2428 of the Italian Civil Code, refer to the information set out in the Explanatory Note – Part D and in the preceding paragraphs.

Your Company has no branch offices.

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

Anticipated development of operations

Early in 2012 our information systems will be migrated due to the change in outsourcer. When the migration is complete, we will begin compliance with Disaster Recovery procedures. After the new structure is stabilized, the new IT applications will be released, which are intended to support the phases of certain processes that we have in common with the parent company (Common Registry; Anti-Money Laundering Repository).

On the sales front, action to develop new clientele will concentrate on increasing the number of clients, focusing attention on markets and segments that characterize the positioning of shareholder and partner Banks. The sales structure will continue to be subject to organizational review so that it stays focused on the market needs expressed by the Banks channel, the development of which remains the principal strategic option.

Management of the clients we acquire will continue to focus on improving the risk profile, with the goal of increasing the income component. Support and consulting on the development of new clientele will continue to be ongoing.

The company will continue its efforts to develop products that meet the needs of the most typical of shareholder clients, in particular the SME segment, which typifies banks in the territory.

Important events after year end

After transferring the Turin affiliate to the parent company's premises on January 20, 2012, on February 1, the affiliate was added to the Lombardy Area, which at that time became known as the "Northwest Area," in order to make development activity in northwest Italy more rational and to simplify control of activities in the territories of eastern and central-southern Italy.

There were no other important events after year end.

Dear Shareholders,

We propose approval of the financial statements for the year ending at December 31, 2011 and the allocation of earnings as follows:

Net earnings for the year	Euro	9,783,403
Earnings from previous years carried forward	Euro	167,917
Earnings to be allocated	Euro	9,951,320
of which:		
5% to legal reserve	Euro	489,170
Dividend of Euro 0.048 to each of the 85,000,002 shares in circulation	Euro	4,080,000
Earnings to the extraordinary reserve	Euro	5,200,000
Earnings carried forward	Euro	182,150

We therefore ask you to approve the financial statements presented to you as well as the proposed allocation of earnings.

We would like to take this opportunity to thank the Shareholders for everything they have done on behalf of Factorit during the year.

We would also like to extend our thanks to the Board of Auditors for its support to the Company during the year, to all Company personnel for its ongoing strong commitment, to the Partner Banks, to the Correspondents which are members of FCI – Factors Chain International, and to the Organs of the Assifact trade association.

Milan, March 16, 2012

For the Board of Directors

The Chairman
Roberto Ruozi

FINANCIAL STATEMENTS
AT DECEMBER 31, 2011

CONTENTS OF FINANCIAL STATEMENTS

The annual financial statements of Factorit SpA, drafted in compliance with IAS/IFRS international accounting standards, are made up of the balance sheet, 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 and the provisions of the document issued on March 13, 2012.

The company's financial statements have been prepared with clarity, and provide a true and fair view of the capital, financial position and earnings 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	12/31/2011	12/31/2010
10. Cash and cash equivalent	6,494	3,117
60. Receivables	1,656,910,431	1,396,529,127
100. Tangible assets	320,936	220,296
110. Intangible assets	1,191,087	1,146,431
120. Tax assets	32,098,946	36,866,664
a) current	10,955,498	16,294,927
b) deferred	21,143,448	20,571,737
140. Other assets	3,018,413	3,938,037
TOTAL ASSETS	1,693,546,307	1,438,703,672

Liabilities and shareholders' equity	12/31/2011	12/31/2010
10. Payables	1,468,368,912	1,153,369,550
70. Tax liabilities	9,705,213	16,809,276
a) current	7,369,749	14,741,619
b) deferred	2,335,464	2,067,657
90. Other liabilities	41,487,297	98,199,699
100. Employee severance pay	1,948,599	1,928,935
110. Provisions for risks and charges:	5,129,380	7,192,709
a) retirement and similar obligations		
b) other provisions	5,129,380	7,192,709
120. Capital	85,000,002	85,000,002
150. Share premium reserves	11,030,364	11,030,364
160. Reserves	61,165,557	55,231,415
170. Valuation reserves	-72,420	-72,420
180. Net income (Loss)	9,783,403	10,014,142
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,693,546,307	1,438,703,672

INCOME STATEMENT

(figures in euros)

	12/31/2011	12/31/2010
10. Interest receivable and similar income	47,686,849	38,036,066
20. Interest payable and similar expense	-22,668,613	-11,132,597
INTEREST MARGIN	25,018,236	26,903,469
30. Commissions income	36,383,058	38,204,788
40. Commissions expense	-5,891,692	-6,032,621
NET COMMISSIONS	30,491,366	32,172,167
60. Net result from trading	10,480	-245
EARNING MARGIN	55,520,082	59,075,391
100. Net value adjustments for impairment of:	-17,349,428	-26,889,299
a) financial assets	-18,943,665	-28,778,730
b) other financial operations	1,594,237	1,889,431
110. Administrative expense	-22,723,022	-18,888,974
a) personnel expense	-11,840,239	-10,378,770
b) other administrative expense	-10,882,783	-8,510,204
120. Net value adjustments on tangible assets	-88,392	-73,063
130. Net value adjustments on intangible assets	-27,792	-23,320
150. Net provisions for risks and charges	24,677	350,800
160. Other operating income and expenses	2,569,865	3,642,444
OPERATING MARGIN	17,925,990	17,193,979
180. Net income (Loss) from the sale of investments	2,700	22,571
NET INCOME (LOSS) FOR CURRENT ASSETS BEFORE TAX	17,928,690	17,216,550
190. Income taxes for the year on current operations	-8,145,287	-7,202,408
NET INCOME (LOSS) AFTER TAX FOR CURRENT ASSETS	9,783,403	10,014,142
NET INCOME (LOSS)	9,783,403	10,014,142

STATEMENT OF COMPREHENSIVE INCOME

(figures in euros)

	Items	12/31/2011	12/31/2010
10	Net income (Loss)	9,783,403	10,014,142
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		
100	Share of valuation reserves connected with investments carried in equity		
110	Other income components net of taxes		
120	Total comprehensive income (Items 10+110)	9,783,403	10,014,142

CHANGES IN SHAREHOLDERS' EQUITY AT 12/31/2011

(figures in euros)

	Amounts at 12/31/2010	Change in opening balances	Amounts at 01/01/2011	Allocation of net income for the previous year		Changes for the year							Comprehensive income 12/31/2011	Shareholders' equity 12/31/2011
						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
Share premiums reserves	11,030,364		11,030,364											11,030,364
Reserves														
a) retained earnings	50,277,705		50,277,705	5,934,142										56,211,847
b) other	4,953,710		4,953,710											4,953,710
Valuation reserves:	(72,420)		(72,420)											(72,420)
Equity Instruments														
Treasury shares														
Net income (loss)	10,014,142		10,014,142	(5,934,142)	(4,080,000)								9,783,403	9,783,403
Shareholders' equity	161,203,503		161,203,503		(4,080,000)								9,783,403	166,906,906

CHANGES IN SHAREHOLDERS' EQUITY AT 12/31/2010

(figures in euros)

	Amounts at 12/31/2009	Change in opening balances	Amounts at 01/01/2010	Allocation of net income for the previous year		Changes during the year						Comprehensive income 12/31/2010	Shareholders' equity 12/31/2010
						Change 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	85,000,002		85,000,002										85,000,002
Share premium reserves	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)
Equity instruments													
Treasury shares													
Net income (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

CASH FLOW STATEMENT

(figures in euros)

A. OPERATING ACTIVITY	Amount	
	12/31/2011	12/31/2010
1. CASH FLOW FROM OPERATIONS	**37,254,956**	**51,015,725**
- net income (+/-)	9,783,403	10,014,142
- gains (losses) on financial assets held for trading and on financial assets/liabilities designated as at fair value through profit or loss (+/-)	-10,480	245
- net value adjustments for impairment (+/-)	17,349,428	26,889,299
- net value adjustments on tangible and intangible assets (+/-)	116,184	96,383
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	-24,677	-350,800
- unpaid taxes and duties (+/-)	9,971,966	14,515,990
- other adjustments (+/-)	69,132	-149,534
2. CASH FLOW FROM/USED IN FINANCIAL ASSETS	**-268,173,548**	**76,009,699**
- receivables due from banks	-6,744,578	18,572,089
- receivables due from financial institutions	-7,696,999	-555,183
- receivables due from customers	-254,079,884	65,170,483
- other assets	347,913	-7,177,690
3. CASH FLOW FROM/USED IN FINANCIAL LIABILITIES	**244,462,239**	**-132,210,381**
- payables due to banks	333,779,117	125,016,923
- payables due to financial institutions	-291,525	-103,083
- payables due to customers	-18,488,230	-15,642,556
- outstanding securities	0	0
- other liabilities	-70,537,123	8,552,181
Net cash flow from/used in operating activity	**13,543,647**	**-5,184,957**
B. INVESTING ACTIVITY		
2. CASH FLOW USED IN	**-261,479**	**-162,645**
- purchase of tangible assets	-189,030	-144,945
- purchase of intangible assets	-72,449	-17,700
- purchase of business units	0	0
Net cash flow from/used in investment activity	**-261,479**	**-162,645**
C. FUNDING ACTIVITY		
- issue/purchase of treasury shares	0	0
- issue/purchase of equities		
- distribution of dividends and other purposes	-4,080,000	0
Net cash flow from/used in funding activities	**-4,080,000**	**0**
NET CASH FLOW GENERATED/USED	**9,202,168**	**-5,347,602**

RECONCILIATION

	Amount	
	12/31/2011	12/31/2010
Cash and cash equivalents at beginning of the period	**15,464,712**	**15,812,314**
Total net cash flow generated/used	9,202,168	-5,347,602
Cash and cash equivalents at the end of the period	**19,666,880**	**10,464,712**

EXPLANATORY NOTE FOR THE FINANCIAL STATEMENTS AT DECEMBER 31, 2011

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, declares that the annual financial statements have been prepared in 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, 2011 and endorsed by the European Commission in accordance with the procedures set forth in EU Regulation No. 1606/2002, supplemented by the provisions in the document issued on March 13, 2012.

General Accounting Policies

This Explanatory Note, with data denominated in units 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 March 1, 2012, in accordance with IAS 10.

Other Aspects

It is confirmed that Factorit is still not 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 debt securities 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 assignments of receivables with recourse or those transferred without recourse and without the substantial transfer of risks and benefits.
Receivables assigned to the company and recognized against the assigned debtor – for which a substantial transfer of risks and benefits to the transferee Company is recognized – are also included.

If they are assigned 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 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.

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 doubtful/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 similar 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 Valuation 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.”

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*

(units of euros)	12/31/2011	12/31/2010
a) Cash	6,494	3,117
b) Deposit accounts with Central Banks	-	-
Total	6,494	3,117

Section 6 *Receivables – Item 60*

6.1 – Receivable from banks

(units of euros)	12/31/2011	12/31/2010
1. Deposits and current accounts	19,660,386	10,461,595
2. Loans	257,418	1,928,558
2.1 Repurchase agreements	-	-
2.2 Financial leases	-	-
2.3 Factoring	257,418	1,926,406
- with recourse	-	-
- without recourse	257,418	1,926,406
2.4 Other loans	-	2,152
3. Debt securities	64,640	135,662
- debt instruments	-	-
- other debt instruments	64,640	135,662
4. Other assets	16,226,698	7,739,958
Total (book value)	36,209,142	20,265,773
Total (fair value)	36,209,142	20,265,773

Credit relative to sums paid to assignors in advance on behalf of other credit institutions as part of pooled factoring operations, was moved from the sub-item "Other Loans", to the sub-item “Other assets” and therefore the relative figure at December 31, 2010, in the amount of Euro 7,265,073, was reclassified.

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

The amount of Euro 19,660,386, 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 3, “Debt securities,” includes Euro 62,605 for the security “Italfondiario (now Centrobanca) series A.06 – 3.25% 01/01/1999-01/01/2013” and, for the same security, Euro 2,035 for coupons in maturity.

Item 4 “Other assets” is made up of:
- Euro 20,372 for receivables from Foreign Correspondents;
- Euro 50,000 for items under assessment;
- Euro 55 for invoices for pooled operations;

- Euro 324,891 for receivables from Banca Italease S.p.A;
- Euro 15,831,380 from sums paid to assignors in advance on behalf of credit institutions for pooled factoring operations in which Factorit assumes the role of leader.

6.2 – Due from financial institutions

	12/31/2011		12/31/2010	
(units of euros)	Performing	Impaired	Performing	Impaired
1. Loans				
1.1 Repurchase agreements	-	-	-	-
1.2 Financial leases	-	-	-	-
1.3 Factoring				
- with recourse	8,979,892	-	1,815,755	-
- without recourse	-	-	294,720	-
1.4 Other loans	3,703,996	-	2,367,770	-
2. Debt instruments				
- structured securities	-	-	-	-
- other debt instruments	-	-	-	-
3. Other assets	413,867	-	922,510	-
Total (book value)	13,097,755	-	5,400,755	-
Total (fair value)	13,097,755	-	5,400,755	-

The receivable for sums paid to transferors in advance on behalf of other financial institutions, within the sphere of pooled factoring operations, went from the sub-item "Other Loans" to the sub-item "Other assets," and therefore the relative figure of Euro 687,155 at 12/31/2010 was reclassified

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

Item 3, "Other assets" includes:
- Euro 239,618 for invoices to be issued to financial institutions for pooled operations where Factorit assumed the role of non-leading participant;
- Euro 18,574 for receivables from foreign correspondents;
- Euro 155,675 from sums paid to assignors in advance on behalf of financing institutions as part of pooled operations, in which Factorit assumed the role of leader.

Also, point 1.4, "Other Loans" includes advances that regard assignments of receivables which do not fall within the purview of Law 52/91, which come to Euro 3,703,996 for performing transactions only.

6.3 – Due from customers

	12/31/2011		12/31/2010	
(units of euros)	Performing	Impaired	Performing	Impaired
1 Financial leases	-	-	-	-
of which: without a final purchase option	-	-	-	-
2 Factoring	1,536,858,704	44,230,093	1,260,974,896	68,648,096
- with recourse	1,460,446,378	28,462,015	964,458,499	62,044,820
- without recourse	76,412,326	15,768,078	296,516,397	6,603,276
3 Consumer credit	-	-	-	-
4 Credit cards	-	-	-	-
5 Financing granted for payment services rendered	-	-	-	-
6 Other loans	24,356,368	2,128,951	38,474,858	2,764,749
of which: enforcement of guarantees and commitments	-	-	-	-
7 Debt instruments	-	-	-	-
- structured securities	-	-	-	-
- other debt instruments	-	-	-	-
8 Other assets	29,418	-	-	-
Total (book value)	1,561,244,490	46,359,044	1,299,449,754	71,412,845
Total (fair value)	1,561,244,490	46,359,044	1,299,449,754	71,412,845

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 loans” also includes charges payable by assigned debtors on payment extensions granted to them, and advances for assignments of receivables which do not fall within the purview of Law 52/91, which came to Euro 13,563,146 for performing transactions and Euro 1,869,857 for impaired transactions.

6.4 – Receivables: secured assets

	12/31/2011						12/31/2010					
	Due from banks		Due from financial institutions		Due from customers		Due from banks		Due from financial institutions		Due from customers	
(units of euros)	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Performing assets secured by:	-	-	**8,934,686**	**8,934,686**	**1,446,513,544**	**1,444,129,892**	-	-	**1,795,540**	**1,795,540**	**972,349,518**	**970,783,354**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	8,934,686	8,934,686	1,428,506,946	1,426,123,294	-	-	1,795,540	1,795,540	943,543,128	941,976,964
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	16,036	16,036
- Personal guarantees	-	-	-	-	18,006,598	18,006,598	-	-	-	-	28,790,354	28,790,354
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets secured by:	-	-	-	-	**28,579,959**	**28,364,842**	-	-	-	-	**62,438,632**	**62,172,824**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	26,991,969	26,776,852	-	-	-	-	55,739,303	55,473,495
- Mortgages	-	-	-	-	1,052,294	1,052,294	-	-	-	-	930,114	930,114
- Pledges	-	-	-	-	-	-	-	-	-	-	53,787	53,787
- Personal guarantees	-	-	-	-	535,696	535,696	-	-	-	-	5,715,428	5,715,428
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	**8,934,686**	**8,934,686**	**1,475,093,503**	**1,472,494,734**	-	-	**1,795,540**	**1,795,540**	**1,034,788,150**	**1,032,956,178**

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

The table above illustrates guarantees received in connection with performing and impaired assets.

In compliance with the regulations on sales of receivables which do not fall within the purview of Law 52/91, "receivables for factoring" do not include "other assignments."

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 assignors in transactions for the assignments 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”

	12/31/2011		12/31/2010	
(units of euros)	Assets valued at cost	Assets valued at FV or revalued	Assets valued at cost	Assets valued at FV or revalued
1) Functional assets				
1. Owned by the company	**320,936**		**220,296**	
a) land	-		-	
b) buildings	-		-	
c) furniture	70,908		92,740	
d) capital equipment	7,900		16,084	
e) other	242,128		111,472	
2. Acquired through finance lease	**-**		**-**	
a) land	-		-	
b) buildings	-		-	
c) furniture	-		-	
d) capital equipment	-		-	
e) other	-		-	
Total 1	**320,936**		**220,296**	
2) Assets related to financial leasing agreements				
2.1 Unredeemed 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)	**320,936**		**220,296**	

10.2 Tangible assets: annual changes

(units of euros)	Land	Buildings	Furniture	Capital goods	Other	Total
A) Opening balance	-	-	92,740	16,084	111,472	220,296
B) Increases	-	-	1,737	5,848	181,447	189,032
B.1 Purchases	-	-	1,737	5,848	181,447	189,032
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	-	-	23,569	14,032	50,791	88,392
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	23,569	14,032	50,791	88,392
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	-	-	70,908	7,900	242,128	320,936

Section 11 *Intangible assets – Item 110*

11.1 Composition of item 110 "Intangible assets"

	12/31/2011		12/31/2010	
(units of euros)	Assets valued at cost	Assets valued at FV	Assets valued at cost	Assets valued at fair value
1 Goodwill	1,111,626		1,111,626	
2 Other intangible assets				
2.1 Owned by the company				
- internally generated	-	-	- -	
- other	79,461	-	34,805 -	
2.2 Acquired under financial lease agreements	-	-	- -	
Total 2	79,461	-	34,805 -	
3 Assets related to financial lease agreements				
3.1 Unredeemed assets	-	-	- -	
3.2 Goods withdrawn after terminations	-	-	- -	
3.3 Other assets	-	-	- -	
Total 3	-	-	- -	
4 Assets granted through operating leases	-	-	- -	
Total (1+2+3+4)	1,191,087	-	1,146,431 -	

The amount of Euro 1,191,087 includes the residual amount of Euro 1,111,626 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.

11.2 Intangible assets: annual variations

(units of euros)	Total
A. Opening balance	**1,146,431**
B. Increases	**72,448**
B.1 Purchases	72,448
B.2 Value reinstatements	-
B.3 Positive changes in fair value	-
- shareholders' equity	-
- income statement	-
B.4 Other changes	-
C. Decreases	**27,792**
C.1 Sales	-
C.2 Amortization	27,792
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	**1,191,087**

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 12/31/2011	Total 12/31/2010
Current tax assets	10,955,498	16,294,927
Deferred tax assets (balancing entry in equity)	-	196,154
Deferred tax assets (balancing entry in income statement)	21,143,448	20,375,583
Total	**32,098,946**	**36,866,664**

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 12/31/2011	Total 12/31/2010
Current tax liabilities	7,369,749	14,741,619
Deferred tax liabilities (balancing entry in equity)	-	-
Deferred tax liabilities (balancing entry in income statement)	2,335,464	2,067,657
Total	**9,705,213**	**16,809,276**

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 deferred tax rates are: 27.5% for IRES (corporate income tax - Art. 77 of Presidential Decree no. 917/86) and 5.57% for IRAP (regional income tax - Art. 16, paragraph 1-bis, of Legislative Decree no. 446/97 and Art. 1 first paragraph of Lombardy Regional Law no. 33/02).

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

(units of euros)	12/31/2011	12/31/2010
1. Opening balance	**20,375,583**	**13,062,000**
2. Increases	**4,582,505**	**7,942,214**
2.1 Advance taxes booked during the year	4,582,505	7,942,214
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reinstatements of value	-	-
d) other	4,582,505	7,942,214
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**3,814,640**	**628,631**
3.1 Advance taxes cancelled during the year	3,814,640	628,631
a) reversals	2,510,191	628,631
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	1,304,449	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**21,143,448**	**20,375,583**

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)

(units of euros)	12/31/2011	12/31/2010
1. Opening balance	2,067,657	2,067,657
2. Increases	267,807	-
2.1 Deferred taxes reported during the year	267,807	-
a) for previous years	218,326	-
b) due to changes in accounting criteria	-	-
c) other	49,481	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred taxes canceled during the year	-	-
a) reversals	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	2,335,464	2,067,657

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

(units of euros)	12/31/2011	12/31/2010
1. Opening balance	196,154	196,154
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	196,154	-
3.1 Deferred taxes cancelled during the year	196,154	-
a) reversals	196,154	-
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	-	196,154

Section 14 *Other assets – Item 140*

14.1 Composition of item 140 "Other assets"

(units of euros)	12/31/2011	12/31/2010
Tax credits (not classifiable as tax assets)	534,404	531,701
Items in progress	89,928	1,134,281
Advances to suppliers	48,358	91,733
Pre-payments and accrued income not recognized under specific item	564,151	335,737
Other items	1,781,572	1,844,585
Total	**3,018,413**	**3,938,037**

The item "Tax Credits" includes the amount of Euro 484,194 for virtual stamp duty, of which Euro 291,033 related to the advance for the year 2012 paid on November 30, 2011.

In "Other items," the largest amount, equal to about Euro 1,500,000, 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

(units of euros)	12/31/2011 Due to banks	12/31/2011 Due to financial institutions	12/31/2011 Due to customers	12/31/2010 Due to banks	12/31/2010 Due to financial institutions	12/31/2010 Due to customers
1. Financing	**1,452,218,894**	**-**	**-**	**1,123,105,899**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	1,452,218,894	-	-	1,123,105,899	-	-
2. Other payables	**15,325,739**	**157,451**	**666,828**	**10,662,617**	**445,976**	**19,155,058**
Total	**1,467,544,633**	**157,451**	**666,828**	**1,133,768,516**	**445,976**	**19,155,058**
Fair Value	**1,467,544,633**	**157,451**	**666,828**	**1,133,768,516**	**445,976**	**19,155,058**

The fair value of payables due to credit institutions, financial institutions 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	77,002,536
Advances subject to collection on cash orders or direct debits	48,246,621
Expiring short-term overdraft facility	335,000,000
Commissions to book	2,743,441
Supplier invoices and supplier invoices to be received	2,033,967
Payables to parent company	992,347,177
Accrued liabilities on short-term overdraft facilities	242,898
Payables to principals	9,927,993
Total	**1,467,544,633**

The item “Other payables” to financial institutions relates to:
- Euro 96,326 for invoices to be received for pooled operations;
- Euro 61,125 for factoring commissions.

The item “Other payables” to customers is comprised exclusively of payables for factoring with reference to receivables from assigned debtors 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”

(units of euros)	12/31/2011	12/31/2010
Tax payables for amounts to be paid	574,584	426,213
Payables due to personnel	269,619	274,050
Payables due to social security institutions	582,545	416,561
Suppliers	670,302	645,221
Other credits in progress	28,615,439	67,278,429
Provision for guarantees and commitments	1,528,647	3,122,884
Invoices to be received	1,497,561	1,898,888
Other items	7,748,600	24,137,453
Total	**41,487,297**	**98,199,699**

The payable relevant to supplier invoices to be received was moved from the sub-item "Suppliers" to the sub-item “Invoices to be received," and consequently the necessary reclassifications were made for 2010 as well.

The item “Other credits in progress” is comprised of the following in particular:

- Euro 10,078,940 for direct remittances received but not yet charged to the pertinent items;
- Euro 18,536,499 for bills yet to be credited.

The item "Other items" is comprised as follows:

- Euro 4,435,882 for temporary debit balances to customers;
- Euro 3,312,718 for items not chargeable to the previous items.

Section 10 *Employee Severance Pay – Item 100*

10.1 Employee severance pay: annual changes

(units of euros)	12/31/2011	12/31/2010
A. Opening balances	**1,928,935**	**2,196,803**
B. Increases	**121,793**	**(131,979)**
B.1 Allocations for the year	121,793	(149,534)
B.2 Other increases	-	17,555
C. Decreases	**102,129**	**135,889**
C.1 Liquidations completed	92,686	110,582
C.2 Other decreases	9,443	25,307
D. Closing balance	**1,948,599**	**1,928,935**

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.

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

11.1 Composition of item 110 "Provisions for risks and charges"

(units of euros)	12/31/2011	12/31/2010
1. Company retirement funds	-	-
2. Other provisions for risks and charges	5,129,380	7,192,709
2.1 Legal disputes	4,019,946	6,024,743
2.2 Personnel charges	1,109,434	1,167,966
2.3 Other	-	-
Total	5,129,380	7,192,709

The item "Legal disputes" comprises:
- Revocatory actions Euro 1,345,000;
- Lawsuits against the company Euro 2,674,946.

The item "Personnel charges" comprises:
- Early retirement fund Euro 289,394;
- Personnel training Euro 176,523;
- Other personnel expenses Euro 643,517.

11.2 Changes in item 110 "Provisions for risks and charges"

(units of euros)	Retirement funds	Other provisions	12/31/2011
A. Opening balance	-	**7,192,709**	**7,192,709**
B. Increases	-	**1,139,337**	**1,139,337**
B.1 Allocations for the year	-	1,075,134	1,075,134
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to fluctuations in discount rate	-	-	-
B.4 Other changes	-	64,203	64,203
C. Decreases	-	**3,202,666**	**3,202,666**
C.1 Utilization during the year	-	2,464,937	2,464,937
C.2 Changes due to fluctuations in discount rate	-	-	-
C.3 Other changes	-	737,729	737,729
D. Closing balance	-	**5,129,380**	**5,129,380**

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

12.1 Composition of item 120 "Share capital"

Categories	12/31/2011
1. Share capital	85,000,002
1.1 Common shares	85,000,002
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 12/31/2011 and 12/31/2010 Factorit S.p.A. held no treasury shares.

12.3 Composition of item 140 “Equities”

As of 12/31/2011 and 12/31/2010 Factorit S.p.A. did not point out any value with reference to the item equities.

12.4 Composition of item 150 “Share premium reserves”

This reserve is equal to Euro 11,030,364.

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	85,000,002	-	-	-	-
Capital reserves	-	-	-	-	-
Net income reserves					
Legal reserve	6,358,931	B	-	-	-
Share premium reserve	11,030,364	A-B	11,030,364	-	-
Other reserves	54,566,288	A-B-C	54,566,288	-	26,265,000
Net income carried forward	167,918	A-B-C	167,918	-	-
Total	**157,123,503**		**65,764,570**	**-**	**26,265,000**
Non-distributable amount	**-**	**-**	**11,030,364**	**-**	**-**
Residual distributable amount	**-**	**-**	**54,734,206**	**-**	**-**

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

"Other reserves" include the non-distributable first-time adoption reserve, for Euro 313,807.

12.6 Composition of item 170 “Valuation reserves”

Valuation reserves come to Euro -72,420 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"

(units of euros)	Debt instruments	Financing	Other operations	12/31/2011	12/31/2010
1. Financial assets held for trading	-	-	-	-	-
Financial assets designed at fair value throught profit or loss	-	-	-	-	-
3. Financial assets available for sale	-		-	-	-
4. Financial assets held to maturity	-	-	-	-	-
5. Receivables					
5.1 Receivables due from banks	2,035	84,148	-	86,183	79,168
5.2 Receivables due from financial institutions	-	648,888	-	648,888	80,570
5.3 Receivables due from customers	-	46,951,778	-	46,951,778	37,876,328
6. Other assets			-	-	-
7. Hedging derivatives			-	-	-
Total	2,035	47,684,814	-	47,686,849	38,036,066

1.2 Interest receivable and comparable proceeds: other information

Interest receivable on financial assets for receivables due from customers come to Euro 745,145 (Euro 527,125 in 2010).

1.3 Composition of item 20 "Interest payable and similar expenses"

(units of euros)	Payables	Securities	Other operations	12/31/2011	12/31/2010
1. Payables due to banks	(22,668,613)		-	(22,668,613)	(11,060,743)
2. Payables due to financial institutions	-		-	-	-
3. Payables due to customers	-		-	-	(56,471)
4. Securities issued		-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities valued at fair value	-	-	-	-	-
7. Other liabilities			-	-	(15,383)
8. Hedging derivatives			-	-	-
Total	(22,668,613)	-	-	(22,668,613)	(11,132,597)

Section 2 *Commissions – Items 30 and 40*

2.1 Composition of item 30 "Commissions income"

(units of euros)	12/31/2011	12/31/2010
1. Finance lease transactions	-	-
2. Factoring transactions	35,037,748	36,917,172
3. Consumer credit	-	-
4. Merchant banking activities	-	-
5. Guarantees issued	-	-
6. Services relative to:	-	-
- fund management for third parties	-	-
- exchange rate trading	-	-
- distribution of products	-	-
- other	-	-
7. Collection and payment services	-	-
8. Servicing for securitization operations	-	-
9. Other commissions	1,345,310	1,287,616
Total	36,383,058	38,204,788

The figure for the sub-item "other commissions" refers to compensation received for operations which do not fall within the purview of Law 52/91 (other financing, other sales, etc.); therefore for comparative purposes, the data at 12/31/2010 was reclassified for a total of Euro 1,287,616.

2.2 Composition of item 40 "commissions expense"

(units of euros)	12/31/2011	12/31/2010
1. Guarantees received		
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	(5,891,692)	(6,032,621)
4.1 Leasing operations		
4.2 Factoring operations	(3,467,668)	(3,475,030)
4.3 Other	(2,424,024)	(2,557,591)
Total	(5,891,692)	(6,032,621)

For comparative purposes, the data at 12/31/2010 was reclassified for a total of Euro 2,557,591, for the cost incurred for bank expenses and commissions on account statement, expenses for credit reports and expenses for insuring receivables, which moved from point "4.2 Factoring operations" to point "4.3 Other."

Section 4 *Net Result from Trading – Item 60*

4.1 Composition of item 60 "Net result from trading"

The item shows Euro 10,480 in point 3 "Other financial assets and liabilities: foreign exchange difference."

Section 8 *Net Value Adjustments for Impairment – Item 100*

8.1 "Net value adjustments for impairment of receivables"

(units of euros)	Value adjustments		Reinstatements of value		12/31/2011	12/31/2010
	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	-	-	-	-	-	-
3. Receivables due from customers	(22,777,333)	-	1,461,986	2,371,682	(18,943,665)	(28,778,730)
- for leasing	-	-	-	-	-	-
- for factoring	(22,167,122)	-	1,194,223	1,856,753	(19,116,146)	(27,754,369)
- for consumer credit	-	-	-	-	-	-
- other receivables	(610,211)	-	267,763	514,929	172,481	(1,024,361)
Total	(22,777,333)	-	1,461,986	2,371,682	(18,943,665)	(28,778,730)

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.

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

(units of euros)	Value adjustments		Reinstatements of value		Total 12/31/2011	Total 12/31/2010
	Specific	Portfolio	Specific	Portfolio		
1. Guarantees issued	(731,084)	-	2,325,321	-	1,594,237	1,889,431
2. Derivatives on receivables	-	-	-	-	-	-
3. Commitments to disburse funds	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-
Total	(731,084)	-	2,325,321	-	1,594,237	1,889,431

Section 9 *Administrative Expenses – Item 110*

9.1 Composition of item 110.a "Personnel expenses"

(units of euros)	12/31/2011	12/31/2010
1. Employees	**(10,999,764)**	**(9,964,131)**
a) Wages and salaries	(7,701,500)	(6,991,905)
b) Social charges	(2,165,659)	(2,129,523)
c) Severance pay	-	-
d) Social security expenses	-	-
e) Allocation to employee severance pay	(121,793)	149,534
f) Allocation to provisions for retirement pay and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) Payments to external pension funds:	(684,943)	(677,750)
- defined contribution	(684,943)	(677,750)
- defined benefits	-	-
h) Other expenses	(325,869)	(314,487)
2. Other personnel in service	**(57,799)**	**-**
3. Directors and statutary auditors	**(295,899)**	**(268,999)**
4. Retired personnel	**(62,741)**	**-**
5. Recovery of expenses for employees seconded to other companies	**-**	**147,494**
6. Reimbursements of expenses for third party employees seconded to the company	**(424,036)**	**(293,134)**
Total	**(11,840,239)**	**(10,378,770)**

9.2 Average number of employees by category

Staff	12/31/2011		12/31/2010	
	average	year end	average	year end
Employees	**145**	**152**	**146**	**144**
a) executives	3	4	2	3
b) total mid-level managers	64	65	67	64
of which levels 3 and 4	40	40	40	40
c) remaining employees	78	83	77	77
Other personnel	**1**			

The average of total employees does not include any weighting, in particular of part-time contracts (18 units).

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

(units of euros)	12/31/2011	12/31/2010
a) expenses related to real property:	(1,181,237)	(827,282)
- rents and building maintenance	(1,156,445)	(820,647)
- energy, water and heating	(24,792)	(6,635)
b) indirect duties and taxes	(2,478,764)	(1,862,327)
c) postal, telephone, printing and other office expenses	(563,566)	(736,189)
d) maintenance and charges for furniture, equipment and systems	(424,847)	(325,249)
e) professional services and consulting	(918,046)	(280,857)
f) legal expenses	(3,059,633)	(2,529,697)
g) services rendered by third parties		(19,504)
h) advertising, entertainment and gifts	(52,261)	(15,702)
i) insurance premiums	(86,159)	(37,199)
m) transport, rentals and travel	(409,956)	(309,099)
n) outsourced activities	(730,328)	(733,746)
o) other costs and sundry expenses	(977,986)	(833,353)
Total	(10,882,783)	(8,510,204)

The cash cost of the insurance premium covering risks under the "Civil liability policy for Directors, Auditors and General Managers" was Euro 46,455; the cost pertinent to the year was Euro 4,062.

Note that with regard to letter b), the increase from the previous year is due to the fine related to the VAT Settlement, for Euro 481,353.

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

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

(units 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	(88,392)	-	-	(88,392)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(23,569)	-	-	(23,569)
d) capital equipment	(14,032)	-	-	(14,032)
e) other	(50,791)	-	-	(50,791)
1.2 Acquired under financial leasing agreements	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital equipment	-	-	-	-
e) other	-	-	-	-
2.Assets rrelated to financial leasing agreements	-	-	-	-
3. Assets held for investment purposes	-	-	-	-
Total	(88,392)	-	-	(88,392)

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

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

(units of euros)	Amortization (a)	Value adjustments for impairment (b)	Value reinstatements (c)	Net result (a+b-c)
1. Goodwill	-	-	-	-
2. Other intangible assets	(27,792)	-	-	(27,792)
2.1 owned by the company	(27,792)	-	-	(27,792)
2.2 acquired through financial leasing agreements	-	-	-	-
3. Assets related to financial leasing agreements	-	-	-	-
4. Assets granted with operating leases				
Total	(27,792)	-	-	(27,792)

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

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

(units of euros)	Allocations	Reattribution of surpluses	12/31/2011	12/31/2010
1. Allocations to retirement fund				
2. Allocations to other funds for risks and charges:	(630,323)	655,000	24,677	350,800
a) legal disputes	(630,323)	655,000	24,677	350,800
b) charges for personnel				
c) other				
Total	(630,323)	655,000	24,677	350,800

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

14.1 Composition of item 160 "Other operating income"

(units of euros)	12/31/2011	12/31/2010
b) tax recovery	183,508	190,299
c) expense recovery	1,491,482	1,195,746
d) proceeds for IT services rendered	790,232	956,171
f) other	1,838,884	1,363,371
Total	4,304,106	3,705,587

14.2 Composition of item 160 "Other operating expenses"

(units of euros)	12/31/2011	12/31/2010
b) other	(1,734,241)	(63,143)
Total	**(1,734,241)**	**(63,143)**

The increase, for Euro 753,220, is due to the amount paid for the VAT Settlement.

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

(units of euros)	12/31/2011	12/31/2010
A. Real estate	-	-
- Net income from sales	-	-
- Losses from sales	-	-
B. Other assets	**2,700**	**22,571**
- Net income from sales	2,700	22,571
- Losses from sales	-	-
Net result	**2,700**	**22,571**

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

For fiscal year 2011 as well, Factorit was not 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 primarily to the increase in applicable tax for purposes of IRAP, from 4.82% to 5.57%, and to significant non-deductible costs, in particular the fines related to the previously mentioned VAT Settlement.

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	12/31/2011	12/31/2010
1. Current taxes (-)	(9,971,966)	(14,515,991)
2. Change in current taxes from previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)		
4. Variation in taxes paid in advance (+/-)	1,876,160	7,313,583
5. Variation in deferred taxes (+/-)	(49,481)	-
Income tax for the year	(8,145,287)	(7,202,408)

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

	IRES		IRAP	
TAX ON GROSS INCOME FOR THE YEAR	4,930,390	27.50%	998,628	5.57%
Dividends	0		0	
Non-deductible interest payable	249,365		50,508	
Section EC cost exemption	0		0	
Other adjustments for purposes of IRES	-641,925		0	
Personnel costs	0		465,295	
Adjustments on receivables	3,110,005		966,363	
IRAP deductions	-65,721		-90,942	
Other adjustments for purposes of IRAP	0		0	
Total changes in taxes from those calculated on gross income	2,651,724		1,391,224	
Income tax for the year and actual tax rate	7,582,114	42.29%	2,389,852	13.33%
Other taxes	-1,839,690	-10.26%	13,011	0.07%
TOTAL TAXES	8,145,287	45.43%		

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

Section 18 *Gain (Loss) 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				
(units of euros)	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers	12/31/2011	12/31/2010
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital equipment	-	-	-	-	-	-	-	-
- tangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	648,888	46,951,778	95,442	1,287,104	35,000,512	83,983,724	76,161,686
- on current receivables	-	56,787	35,840,058	-	568,251	34,293,109	70,758,205	64,216,250
- on future receivables	-	-	955,044	-	-	176,388	1,131,432	1,014,777
- on receivables purchased on a permanent basis	-	-	-	-	-	-	-	-
- on receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- for other financing	-	592,101	10,156,676	95,442	718,853	531,015	12,094,087	10,930,659
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	-	648,888	46,951,778	95,442	1,287,104	35,000,512	83,983,724	76,161,686

19.2 Other information

Analytical composition of interest payable and similar expense.

Technical form	Amount
Current account overdrafts	(6,060,126)
Advances subject to collection	(1,502,692)
Short-term overdrafts	(14,471,864)
Advances in foreign currencies	(633,923)
Contingent liabilities for bank interest	(8)
Total	**(22,668,613)**

PART D Other information

Section 1 Details on activities

B. FACTORING AND ASSIGNMENT OF RECEIVABLES

B. 1 – Gross value and book values

(units of euros)	12/31/2011			12/31/2010		
	Gross value	Adjustments of value	Total	Gross value	Adjustments of value	Total
1. Performing assets	**1,554,136,2**	**8,040,196**	**1,546,096,014**	**1,273,947,986**	**8,963,209**	**1,265,011,777**
- exposures to assignors (with recourse)	1,476,878,146	7,451,876	1,469,426,270	972,816,051	6,541,796	966,274,255
- assignments of future receivables	30,619,222	129,281	30,489,941	17,890,278	191,048	17,699,230
- other	1,446,258,924	7,322,595	1,438,936,329	954,925,773	6,350,748	948,575,025
- exposures to assigned debtors (without recourse)	77,258,064	588,320	76,669,744	301,158,935	2,421,413	298,737,522
2. Impaired assets	**99,579,602**	**55,349,509**	**44,230,093**	**126,577,186**	**57,929,090**	**68,648,096**
2.1 Non-performing	51,556,988	42,676,648	8,880,340	53,800,842	41,255,953	12,544,889
- exposures to assignors (with recourse)	45,892,862	37,012,522	8,880,340	49,123,272	36,578,383	12,544,889
- assignments of future receivables	1,387,093	1,244,737	142,356	1,387,093	1,244,566	142,527
- other	44,505,769	35,767,785	8,737,984	47,736,179	35,333,817	12,402,362
- exposures to assigned debtors (without recourse)	5,664,126	5,664,126	-	4,677,570	4,677,570	-
- acquired for less than nominal value	-	-	-	-	-	-
- other	5,664,126	5,664,126	-	4,677,570	4,677,570	-
2.2 Doubtful	29,788,026	11,666,986	18,121,040	47,925,782	16,460,501	31,465,281
- exposures to assignors (with recourse)	22,616,873	8,227,739	14,389,134	39,410,368	13,131,662	26,278,706
- assignments of future receivables	130,697	56,337	74,360	9,369,729	4,445,070	4,924,659
- other	22,486,176	8,171,402	14,314,774	30,040,639	8,686,592	21,354,047
- exposures to assigned debtors (without recourse)	7,171,153	3,439,247	3,731,906	8,515,414	3,328,839	5,186,575
- acquisitions at less than nominal value	-	-	-	-	-	-
- other	7,171,153	3,439,247	3,731,906	8,515,414	3,328,839	5,186,575
2.3 Restructured exposures	-	-	-	-	-	-
- exposures to assignors (with recourse)	-	-	-	-	-	-
- assignments of future receivables	-	-	-	-	-	-
- other	-	-	-	-	-	-
- exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- acquired at less than nominal value	-	-	-	-	-	-
- other	-	-	-	-	-	-
2.4 Past due exposures	18,234,588	1,005,875	17,228,713	24,850,562	212,636	24,637,926
- exposures to assignors (with recourse)	5,534,329	341,788	5,192,541	23,398,925	177,699	23,221,226
- assignments of future receivables	-	-	-	318	9	309
- other	5,534,329	341,788	5,192,541	23,398,607	177,690	23,220,917
- exposures to assigned debtors (without recourse)	12,700,259	664,087	12,036,172	1,451,637	34,937	1,416,700
- acquired at less than nominal value	-	-	-	-	-	-
- other	12,700,259	664,087	12,036,172	1,451,637	34,937	1,416,700
Total	**1,653,715,81**	**63,389,705**	**1,590,326,107**	**1,400,552,172**	**66,892,299**	**1,333,659,873**

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 claimed towards the assignors for advances disbursed to such.

It is also specified that the table does not include advances for assignments of receivables which do not fall within the purview of Law 52/91. On 12/31/2011, these sales came to Euro 17,267,142 for performing assets and Euro 1,869,857 for impaired assets.

B.2 – Residual life of exposures and total outstanding receivables

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

	12/31/2011		12/31/2010	
(units of euros)	Advances	Total receivables	Advances	Total receivables
- on demand	-	-	-	-
- up to 3 months	961,243,102	1,377,695,354	645,700,280	1,655,527,238
- 3 months to 6 months	178,442,405	435,681,472	88,510,598	278,116,103
- over 6 months to 1 year	51,476,422	120,481,103	64,326,100	68,651,799
- over 1 year	22,050,954	24,193,124	6,589,121	39,266,544
- indefinite duration	248,675,402	904,050,979	223,192,977	790,487,652
Total	**1,497,888,285**	**2,862,102,032**	**1,028,319,07**	**2,832,049,33**

The table provides details for the figures indicated in Table B.1 above, with regard solely to receivables claimed from transferors, and does not include 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 28,519,025 at year end.

B.2.2 – Factoring operations without recourse - exposures

	Exposures	
(units of euros)	12/31/2011	12/31/2010
- on demand	-	-
- up to 3 months	44,048,466	169,003,484
- 3 months to 6 months	11,673,626	67,562,788
6 months to 1 year	28,002,639	37,151,167
- over 1 year	42,057	170,865
- indefinite duration	8,671,034	31,452,493
Total	**92,437,822**	**305,340,797**

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

(units 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	**57,929,090**	**22,167,122**	**8,794,442**	**10,744**	**1,194,223**	**10,287,844**	**22,029,957**	**39,865**	**55,349,509**
Exposures to assignors	**49,887,744**	**15,322,768**	**8,054,714**	**-**	**906,734**	**9,247,081**	**17,491,869**	**37,493**	**45,582,049**
- Non-performing	36,578,383	11,226,454	7,820,761	-	640,408	485,280	17,487,388	-	37,012,522
- Doubtful	13,131,662	3,772,364	215,957	-	266,168	8,621,595	4,481	-	8,227,739
- Restructured exposures	-	-	-	-	-	-	-	-	-
- Past due exposures	177,699	323,950	17,996	-	158	140,206	-	37,493	341,788
Exposures to debtors assigned	**8,041,346**	**6,844,354**	**739,728**	**10,744**	**287,489**	**1,040,763**	**4,538,088**	**2,372**	**9,767,460**
- Non-performing	4,677,570	4,733,117	659,401	10,744	59,592	98,301	4,258,813	-	5,664,126
- Doubtful	3,328,839	1,447,173	80,283	-	227,876	909,897	279,275	-	3,439,247
- Restructured exposures	-	-	-	-	-	-	-	-	-
- Past due exposures	34,937	664,064	44	-	21	32,565	-	2,372	664,087
Portfolio for other assets	**8,963,209**	**-**	**1,711,147**	**39,111**	**1,856,753**	**217,745**	**590,401**	**8,372**	**8,040,196**
- Exposures to assignors	6,541,796	-	1,410,069	39,111	321,399	217,701	-	-	7,451,876
- Exposures to debtors	2,421,413	-	301,078	-	1,535,354	44	590,401	8,372	588,320
Total	**66,892,299**	**22,167,122**	**10,505,589**	**49,855**	**3,050,976**	**10,505,589**	**22,620,358**	**48,237**	**63,389,705**

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

(units of euros)	12/31/2011	12/31/2010
Operations without recourse	284,359,404	880,564,760
- of which acquired for less than their nominal value	-	-
Operations with recourse	10,870,479,381	10,419,207,112
Total	**11,154,838,758**	**11,299,771,872**

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 following table reports details of turnover for "other assignments."

(units of euros)	12/31/2011	12/31/2010
Without recourse		
With recourse	24,855,439	40,787,000
	24,855,439	40,787,000

B.4.2 Collection-only services

The Company did not perform collection-only services in 2011 and 2010.

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

(units of euros)	12/31/2011	12/31/2010
- Flow of future receivable purchase contracts during the year	720,906,229	81,644,333
- Amount of receivables at year end	852,136,713	500,363,244

D. Guarantees given and commitments

D.1 – Value of guarantees given and commitments

(units of euros)	12/31/2011	12/31/2010
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 lend funds	424,590,717	736,767,034
a) banks	7,186	4,857
i) for certain use	-	-
ii) for uncertain use	7,186	4,857
b) financial institutions	-	-
i) for certain use	-	-
ii) for uncertain use	-	-
c) customers	424,583,531	736,762,177
i) for certain use	5,134,328	10,685,770
ii) for uncertain use	419,449,203	726,076,407
4) Commitments underlying credit derivatives: sales of protection	-	-
5) Assets pledged as collateral for third party obligations	-	-
6) Other irrevocable commitments	-	-
Total	424,590,717	736,767,034

This table shows the commitment to lend 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 419,449,203 is for irrevocable commitments with uncertain use, as the commitments to lend funds is optional in nature; in this case it is not certain whether and to what extent the funds will effectively be lent.

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

No figures are reported.

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

SECTION 3.1 – CREDIT RISKS

Qualitative information

1. General aspects

Credit risk is traditionally the main type of risk involved in factoring 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 (assignors and assigned) 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 (assignors and assigned) 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

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 receiving services, 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 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 (assignors and assigned) 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 (assignors and assigned) and depending on the different deliberative powers.

Specifically, the 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 are rendered operative, and then made 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 of the resolution is also performed, with particular regard to conclusion 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 else discretionally by 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 assignors 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 assignment of trade receivables) make it possible to mitigate the factor's risks through various techniques designed to consolidate the transfer of risk to the assigned 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 presented with reference to the debtors' capacity to pay the amounts due within the time frame provided by the schedules, including in consideration of the requests to ease the conditions applicable 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 doubtful 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 assignors, 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 anticipated 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

(units of euros)	Non-performing	Doubtful	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 to maturity	-	-	-	-	-	-
5. Receivables due from banks	-	-	-	-	36,209,142	36,209,142
6. Receivables due from financial institutions	-	-	-	-	13,097,755	13,097,755
7. Receivables due from customers	9,220,249	19,895,769	-	17,243,026	1,561,244,490	1,607,603,534
8. Hedging derivatives	-	-	-	-	-	-
12/31/2011	9,220,249	19,895,769	-	17,243,026	1,610,551,387	1,656,910,431
12/31/2010	12,544,888	33,900,809	-	24,967,148	1,325,116,282	1,396,529,127

2. Credit exposures

2.1 Credit exposures with customers: gross and net values

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Impaired assets				
On-balance sheet exposures	105,972,182	59,613,138	-	46,359,044
a) Non-performing	53,201,990	43,981,741	-	9,220,249
b) Doubtful	34,445,612	14,549,843	-	19,895,769
c) Restructured exposures	-	-	-	-
d) Past due exposures	18,324,580	1,081,554	-	17,243,026
Off-balance sheet exposures	6,662,975	1,528,647	-	5,134,328
a) Non-performing	755,787	755,787	-	-
b) Watchlist	5,859,329	772,860	-	5,086,469
c) Restructured exposures	-	-	-	-
d) Past due exposures	47,859	-	-	47,859
Total A	**112,635,157**	**61,141,785**	**-**	**51,493,372**
B. Performing exposures				
- Past due exposures not impaired	42,939,143	-	311,288	42,627,855
- Other exposures	1,946,228,686	-	8,162,848	1,938,065,838
Total B	**1,989,167,829**	**-**	**8,474,136**	**1,980,693,693**
Total A+B	**2,101,802,986**	**61,141,785**	**8,474,136**	**2,032,187,065**

The "past due exposures not impaired" represent the value of receivables 90 days past due that benefit from the exception that permits them to be considered not impaired (net exposure Euro 86,468,910 at 12/31/2010).

"Other exposures" are comprised of:

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- On-balance sheet exposures	1,528,424,310	-	8,162,848	1,520,261,462
- Off-balance sheet exposures	417,804,376	-	-	417,804,376
Total	**1,946,228,686**	**-**	**8,162,848**	**1,938,065,838**

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

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- up to 3 months	149,052,899		858,059	148,194,840
- over 3 months to 6 months	42,421,382	-	294,534	42,126,848
- over 6 months to 1 year	18,479,212	-	198,486	18,280,726
- over 1 year	3,249,906	-	28,635	3,221,271
Total	**213,203,399**	**-**	**1,379,714**	**211,823,685**

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

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Impaired assets				
On-balance sheet exposures	-	-	-	-
a) Non-performing	-	-	-	-
b) Doubtful	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
Off-balance sheet exposures	-	-	-	-
a) Non-performing	-	-	-	-
b) Doubtful	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
Total A	**-**	**-**	**-**	**-**
B. Performing exposures				
- Past due exposures not impaired	-	-	-	-
- Other exposures	49,429,320	-	115,237	49,314,083
Total B	**49,429,320**	**-**	**115,237**	**49,314,083**
Total A+B	**49,429,320**	**-**	**115,237**	**49,314,083**

Please note that the item "other exposures" includes a past-due amount of Euro 61,173.

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		
(units 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	9,220,249	43,981,741	X	-	-	X
A.2 Doubtful	-	187,755	X	1,036,083	371,817	X	-	-	X	18,828,981	13,957,414	X	30,705	32,857	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due exposures	12,035,936	664,064	X	5,906	365	X	-	-	X	5,201,184	17,125	X	-	-	X
A.5 Other exposures	-	X	-	19,352,545	X	151,729	-	X	-	1,537,076,765	X	8,285,607	4,815,180	X	36,800
Total	**12,035,936**	**851,819**	**-**	**20,394,534**	**372,182**	**151,729**	**-**	**-**	**-**	**1,570,327,179**	**58,356,280**	**8,285,607**	**4,845,885**	**32,857**	**36,800**
B. Off-balance sheet exposures															
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	755,787	X	-	-	X
B.2 Doubtful	-	-	X	-	-	X	-	-	X	5,036,464	763,829	X	50,005	9,031	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	47,859	-	X	-	-	X
B.4 Other exposures	24,770,393	X	-	2,866,002	X	-	13,506	X	-	390,054,593	X	-	1,744,522	X	-
Total	**24,770,393**	**-**	**-**	**2,866,002**	**-**	**-**	**13,506**	**-**	**-**	**395,138,916**	**1,519,616**	**-**	**1,794,527**	**9,031**	**-**
Total 12/31/2011	**36,806,329**	**851,819**	**-**	**23,260,536**	**372,182**	**151,729**	**13,506**	**-**	**-**	**1,965,466,095**	**59,875,896**	**8,285,607**	**6,640,412**	**41,888**	**36,800**
Total 12/31/2010	**62,816**	**187,755**	**-**	**18,202,857**	**102,180**	**-**	**80,488**	**-**	**652**	**1,600,289,076**	**64,254,271**	**9,603,493**	**488,989,539**	**646,588**	**502,719**

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	
	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	9,180,803	43,855,838	39,446	125,903						
A.2 Doubtful	19,503,082	13,993,948	392,687	555,895						
A.3 Restructured exposures										
A.4 Past due exposures	17,243,026	1,081,554								
A.5 Other exposures	1,400,608,882	8,356,347	125,785,784	92,214	17,675,105	12,971	17,174,719	12,604		
Total A	**1,446,535,793**	**67,287,687**	**126,217,917**	**774,012**	**17,675,105**	**12,971**	**17,174,719**	**12,604**		
B. Off-balance sheet exposures										
B.1 Non-performing		754,598		1,189						
B.2 Doubtful	5,080,081	771,733	6,388	1,127						
B.3 Other impaired assets	47,859									
B.4 Other exposures	405,825,801		13,078,522		402,014		37,965		104,901	
Total B	**410,953,741**	**1,526,331**	**13,084,910**	**2,316**	**402,014**		**37,965**		**104,901**	
Total 12/31/2011	**1,857,489,534**	**68,814,018**	**139,302,827**	**776,328**	**18,077,119**	**12,971**	**17,212,684**	**12,604**	**104,901**	
Total 12/31/2010	**1,855,641,593**	**73,641,995**	**213,691,401**	**1,579,490**	**23,571,479**	**47,223**	**9,921,342**	**19,501**	**4,798,961**	**9,449**

In detail, net receivables from individuals residing in the Americas are broken down as follows:
- United States of America for Euro 4,119,849 (adjustments Euro 3,023) and Mexico for Euro 13,555,256 (adjustments Euro 9,948) for on-balance sheet exposures;
- North America for Euro 399,954 and South America for Euro 2,060 for off-balance sheet exposures.

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

12/31/2011 Status of Receivable	Northwest Italy		Northeast Italy		Central Italy		Southern Italy		Italy Islands	
	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	1,753,187	6,631,727	1,068,828	9,931,528	3,265,000	11,960,485	2,885,546	14,198,617	208,242	1,133,481
Doubtful	5,879,890	5,305,648	896,995	500,562	2,296,148	1,003,720	5,943,148	3,702,905	4,486,901	3,481,113
Restructured exposures	-	-	-	-	-	-	-	-	-	-
Past due exposures	4,241,799	270,912	512,920	38,570	12,037,470	701,817	449,520	37,819	1,317	32,436
Other operations	748,286,984	3,697,087	253,468,594	1,731,709	236,799,386	1,422,359	86,821,814	928,823	75,232,104	576,369
Total	**760,161,860**	**15,905,374**	**255,947,337**	**12,202,369**	**254,398,004**	**15,088,381**	**96,100,028**	**18,868,164**	**79,928,564**	**5,223,399**

3.3 Significant risks

(figures in units of euros)	12/31/2011	12/31/2010
a) Amount	429,699,753	92,076,238
b) Number	12	3

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

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

The 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 a factoring management software that enables daily monitoring of Significant Risks, using estimated values.

5. Other quantitative information relating to credit risk

Despite the clear increase in the figures compared with the previous year, the aggregate amount of significant risks falls well within the limit of eight times Guarantee 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 Guarantee Capital for each “significant risk.”
At 31/12/2011, no counterparties exceeded this limit, as the parent company issued bank guarantees to cover the gap in individual limit for the two major “Significant Risk” positions for leading Industrial Groups.

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 Control 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 *(units 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 Debt securities	32,320			32,320			
1.2 Receivables	1,292,320,861	18,747,476	34,173,136	3,537,106			308,067,212
1.3 Other assets	3,018,413						
2. Liabilities							
2.1 Payables	1,463,446,162	4,877,067					45,683
2.2 Debt securities							
2.3 Other liabilities	2,167,863						39,319,434
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 *(units of euros)*	Currencies - 12/31/2011					
	US dollars	Pounds sterling	Yen	Swedish Crown	Canadian dollars	Other currencies
1. Financial assets	**30,403,103**	**269,546**	**271**	**8,919,767**		**5**
1.1 Debt securities						
1.2 Equities						
1.3 Receivables	30,403,103	269,546	271	8,919,767		5
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**30,111,467**	**77,534**		**8,821,992**		
3.1 Payables	30,111,467	77,534		8,821,992		
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities	**2,197**	**19,180**	**261**	**4,376**		
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	**30,403,103**	**269,546**	**271**	**8,919,767**		**5**
Total liabilities	**30,113,664**	**96,714**	**261**	**8,826,368**		
Surplus/deficit (+/-)	**289,439**	**172,832**	**10**	**93,399**		**5**

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.

3.4 LIQUIDITY RISK

Quantitative information

1. Remaining contractual duration for financial assets and liabilities – Denominated in euros

Items/time brackets	On demand	More than 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years	Duration undetermined
Assets										
A.1 Government securities										
A.2 Other debt securities	32,320							32,320		
A.3 Loans	57,316,934	31,613,390	151,906,569	280,025,458	544,499,351	194,206,655	84,350,954	28,226,739	36,540	284,663,201
A.4 Other assets					3,018,413					
Liabilities										
B.1 Deposits and current accounts										
- Banks	1,169,131,410	34,372,052	168,335,957	33,758,065	57,024,399	4,877,067				45,683
- Financial institutions	157,451									
- Customers	666,828									
B.2 Debt securities										
B.3 Other liabilities					2,167,863					39,319,434
Off-balance sheet operations										
C.1 Financial derivatives with exchange of capital										
- Long positions										
- Short positions										
C.2 Financial derivatives without exchange of capital										
- Long positions										
- Short positions										
C.3 Deposits and financing to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds										
- Long positions										
- Short positions										
C.5 Financial guarantees issued										

With regard to liabilities, deposits and current accounts with Banks, Euro 992,347,177 represents payables to the Parent Company; while Euro 304,070,888 represents payables to Gruppo Banca Popolare di Milano, the second shareholder of reference.

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 the last 4 years made it possible to bring Euro 50.1 million to the reserve.

in millions of euros				
2007	2008	2009	2010	TOTAL
10.6	15.6	18.0	5.9	50.1
10.6	15.6	18.0	5.9	50.1

4.1.2 Quantitative information

4.1.2.1 Corporate equity: composition

Items / Figures in units of euros	2011	2010
1. Share capital	85,000,002	85,000,002
2. Share premium reserves	11,030,364	11,030,364
3. Reserves		
- of net income		
a) legal	6,358,930	5,858,223
b) statutory		
c) treasury stock		
d) other	49,852,917	44,419,482
- other	4,953,710	4,953,710
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	-72,420	-72,420
- Amount of valuation reserves related to shareholdings valued using the equity method		
6. Equities		
7. Net income (loss)	9,783,403	10,014,142
Total	**166,906,906**	**161,203,503**

4.2. Equity and regulatory ratios

4.2.1 Regulatory Equity

4.2.1.1 Qualitative information

The Regulatory Authority uses regulatory equity 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 equity of Factorit S.p.A. at 31/12/2011 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 units of euros	2011	2010
A. Tier 1 capital prior to the application of prudential filters	162,826,906	157,123,503
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	-1,191,087	-1,146,431
E. Total Tier 1 capital (C-D)	161,635,819	155,977,072
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. Guarantee Capital (E + L - M)	161,635,819	155,977,072
O. Tier 3 capital		
P. Guarantee capital including Tier 3 (N + O)	161,635,819	155,977,072

Guarantee 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 equity makes an adequate individual solvency ratio possible. This requirement is expressed by the ratio between the regulatory equity 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 31/12/2011.

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 and has updated rating changes for each country within the prescribed times.

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 need not to meet any requirements if their "net position in foreign exchange" is less than 2% of Guarantee 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 units of euros	Unweighted amounts		Weighted amounts/requirements	
	2011	2010	2011	2010
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1 Standardized approach	3,888,504,556	3,498,335,851	1,636,883,228	1,635,134,577
2 Internal ratings approach				
2.1 Basic				
2.2 Advanced				
3 Securitization				
B. GUARANTEE CAPITAL REQUIREMENTS				
B. 1 credit and counterparty risk			98,212,994	98,108,075
B. 2 Market risks				
1 Standard approach				
2 Internal models				
3 Concentration risk				
B.3 Operating risk				
1 Basic approach			9,132,104	10,513,168
2 Standardized approach				
3 Advanced method				
B. 4 Other prudential requirements				
B. 5 Other calculation elements			-26,836,274	-27,155,311
B. 6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 + B.5)			80,508,823	81,465,932
C. RISK ASSETS AND REGULATORY RATIOS				
C. 1 Risk-weighted assets			1,341,813,989	1,357,765,809
C. 2 Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)			12.05%	11.49%
C. 3 regulatory equity including Tier 3/ Risk-weighted assets (Total capital ratio)			12.05%	11.49%

For 2011 the weighted amount for counterparty and credit risk benefited from 2 bank guarantees issued by the parent company for leading industrial groups, in the amount of Euro 100,708,117.

Section 5 *Analytical statement of comprehensive income*

	Items	Gross amount	Income tax	Net amount
10.	**Net income (loss) for the year**	X	X	9,783,403
	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	9,783,403

Section 6 *Transactions with related parties*

6.1 Information on compensation of key management personnel

Executives: compensation Euro 910,676

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

Balance sheet

Company	Financial receivables	Financial payables	Other receivables	Other payables
Banca Popolare di Milano	2,425	215,374,701	10,562,101	1,022,966
Banca di Legnano		38,200,244		7,603
Banca Popolare di Mantova	16,096			19,789
Cassa di Risparmio di Alessandria		50,495,943	75,563	263,885
Total	18,521	304,070,888	10,637,664	1,314,243

Income statement

Company	Interest receivable	Interest payable	Interest payable on active pool	Factoring commissions	Other commissions payable	Other charges
Banca Popolare di Milano	3,497	4,679,753	2,427,494	547,671	294,396	29,776
Banca di Legnano	2	884,959		7,603	899	
Banca Popolare di Mantova	549	209,747		19,789	4,865	
Cassa di Risparmio di Alessandria	88	1,166,285	298,551	172,033	1,692	
Total	4,136	6,940,744	2,726,045	747,096	301,852	29,776

6.3.2. Transactions with parent company and affiliates

Receivable from credit institutions

Banca Popolare di Sondrio	*Amount*
Ordinary current accounts – euros	11,054,139
Ordinary current accounts – foreign currency	26,109
Accounts - principals	100,390
Total	11,180,638

Payable to credit institutions

Banca Popolare di Sondrio	*Amount*
Ordinary current accounts	791,803,136
Short-term overdraft facility	160,000,000
Accrued liability on short-term overdraft facility	912,711
Advances foreign currency	38,956,907
Accrual advances foreign currency	54,086
Commissions to be paid	599,506
Supplier invoices	20,831
Total	992,347,177

Costs – credit institutions

Banca Popolare di Sondrio	*Amount*
Interest payable	9,203,642
Commissions payable – expenses	171,315
Commissions payable – factoring commissions	599,506
Charges for rent payable	60,000
Service contract	90,000
Directors’ emoluments	14,400
Seconded personnel	78,462
Total	**10,217,325**

Revenues – credit institutions

Banca Popolare di Sondrio	*Amount*
Interest receivable – ordinary current accounts	16,494
Total	**16,494**

Costs – customers

Sinergia Seconda Srl	*Amount*
Charges for rent payable	843,179
Total	**843,179**

Section 7 *Other disclosures*

Other

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

BALANCE SHEET

	BALANCE SHEET Items under assets	12/31/2010	12/31/2009
10.	Cash and cash equivalents	80,243,283	81,250,810
20.	Financial assets held for trading	2,800,451,233	2,877,645,640
30.	Financial assets valued at fair value	91,887,524	98,821,727
40.	Financial assets available for sale	106,925,415	113,408,863
50.	Financial assets held until maturity	249,303,845	263,653,725
60.	Receivables due from banks	1,465,507,138	1,294,214,922
70.	Receivables due from customers	18,247,861,145	16,711,080,589
80.	Hedging derivatives	0	0
90.	Adjustment of value of financial assets subject to generic hedging (+/-)		
100.	Shareholdings	349,475,661	146,652,702
110.	Tangible assets	131,656,194	143,363,065
120.	Intangible assets	10,837,065	6,980,823
	- of which goodwill		
130.	Tax assets	63,417,459	38,153,435
	a) current	20,240,556	
	b) deferred	43,176,903	38,153,435
140.	Non-current assets and groups of assets being divested	0	45,366,162
150.	Other assets	180,270,601	299,349,479
	Total assets	**23,777,836,563**	**22,119,941,942**

	Items under liabilities and shareholders' equity	12/31/2010	12/31/2009
10.	Payables due to banks	2,276,296,738	2,260,274,063
20.	Payables due to customers	17,035,101,728	15,896,505,024
30.	Outstanding securities	1,931,738,258	1,622,975,969
40.	Financial liabilities from trading	90,855,961	74,047,579
50.	Financial liabilities valued at fair value	0	0
60.	Hedging derivatives		
70.	Adjustment of value of financial liabilities subject to generic hedging		
80.	Tax liabilities	12,749,514	99,130,238
	a) current	0	86,148,583
	b) deferred	12,749,514	12,981,655
90.	Liabilities associated with assets being divested		
100.	Other liabilities	557,740,390	335,095,614
110.	Employee severance pay	35,734,387	35,657,711
120.	Provisions for risks and charges	114,789,552	112,539,863
	a) retirement and similar obligations	77,216,339	74,668,653
	b) other provisions	37,573,213	37,871,210
130.	Valuation reserves	614,271	-512,970
140.	Redeemable shares		
150.	Equities		
160.	Reserves	522,958,256	433,237,067
170.	Issue premiums	174,314,662	176,084,564
180.	Capital	924,443,955	924,443,955
190.	Treasury stock (-)	-32,820,863	-40,211,189
200.	Net income for the year	133,319,754	190,674,454
	Total liabilities and shareholders' equity	**23,777,836,563**	**22,119,941,942**

INCOME STATEMENT

	INCOME STATEMENT Items	2010	2009
10.	Interest receivable and similar income	571,663,367	691,877,121
20.	Interest payable and similar expenses	-178,296,266	-245,514,875
30.	**Interest margin**	**393,367,101**	**446,362,246**
40.	Commissions income	218,601,016	185,173,680
50.	Commissions expense	-12,229,180	-11,724,193
60.	**Net commissions**	**206,371,836**	**173,449,487**
70.	Dividends and similar proceeds	6,367,943	3,192,320
80.	Net result from trading	-36,675,920	131,333,489
90.	Net result from hedging		
100.	Net income/loss from sale or repurchase of:	-360,031	-1,458,725
	a) receivables		
	b) financial assets available for sale	-327,473	-1,061,954
	c) financial assets held until maturity	0	42,797
	d) financial liabilities	-32,558	-439,568
110.	Net result of financial assets and liabilities valued at fair value	805,938	7,477,343
120.	**Earning margin**	**569,876,867**	**760,356,160**
130.	Adjustments/reinstatements of net value due to impairment of:	-123,751,620	-145,641,939
	a) receivables	-116,645,555	-141,276,374
	b) financial assets available for sale	-5,106,065	-4,365,565
	c) financial assets held until maturity		
	d) other financial operations	-2,000,000	
140.	**Net result from financial management**	**446,125,247**	**614,714,221**
150.	Administrative expenses	-327,514,220	-318,343,060
	a) personnel expenses	-164,839,951	-156,857,660
	b) other administrative expenses	-162,674,269	-161,485,400
160.	Net allocations to funds for risks and charges	1,428,761	
170.	Adjustments/reinstatements of net value for tangible assets	-12,106,233	-12,229,992
180.	Adjustments/reinstatements of net value for intangible assets	-8,419,344	-6,293,940
190.	Other operating charges/proceeds	34,367,311	38,335,796
200.	**Operating costs**	**-312,243,725**	**-298,531,196**
210.	Net income (Losses) from shareholdings	57,987,583	-7,233,499
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	-191,748	-275,072
250.	**Net income (Loss) from current operations before taxes**	**191,677,357**	**308,674,454**
260.	Income tax for the year for current operations	-58,357,603	-118,000,000
270.	**Net income (Loss) for continuing operations after taxes**	**133,319,754**	**190,674,454**
280.	Net income (Loss) for groups of assets being divested after taxes		
290.	**Net income for the year**	**133,319,754**	**190,674,454**

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 2011
Independent auditing	Deloitte & Touche SpA	47,523
Quarterly audits	Deloitte & Touche SpA	7,849
Interim reporting package	Deloitte & Touche SpA	11,133
Other services	Deloitte & Touche SpA	
Comprised of:		
Approval of tax returns (770-Single Tax Return)		7,500

(units of euros)

The above figures do not include VAT and expenses.

REPORT FROM THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The shareholders' meeting of March 28, 2011 took steps to reintegrate the Board of Auditors by appointing Professor Carlo Bellavite Pellegrini, who assumed the position of chairman. Thus established, the Board proceeded with carrying out its activity in compliance with the provisions of law and those promulgated by the Supervisory Authorities. It also complied with the rules of conduct recommended by the Italian National Council of Accountants and Tax Advisors.

In compliance with said provisions and laws, we have monitored observance of the law and the by-laws, as well as compliance with the principles of proper administration. With regard to monitoring the adequacy of the organizational structure and internal control system, the Board of Auditors has carefully supervised the overall process of integrating the company into the framework of the new banking group to which it now belongs. This process of integration, which commenced in 2010, after Banca Popolare di Sondrio took over control of the company, made additional progress during 2011. From the regulatory perspective, we note that this process included updating the Security Policy Document and, in compliance with the provisions issued by the Bank of Italy and the guidelines of the parent company, establishing the Risk Management Service, which is responsible for controlling risks and the anti-money laundering department. From the organizational perspective, we note that an outsourcing agreement has been signed for the supply of technological services. To verify the adequacy, effectiveness and efficiency of the organizational structure and the internal controls system, the Board of Auditors has operated both by means of collecting information from the managers of the various departments and through meetings with company managers and regular meetings with all internal control organs and departments in both the company and the parent company.

With regard to compliance with the law, the by-laws and the principles of proper administration, the Board of Auditors attended the March 28, 2011 meeting for approving the 2010 financial statements and all twelve meetings of the Board of Directors. We can attest that all meetings of the Board of Directors, as well as said shareholders' meeting, were called and held in compliance with the regulations that govern their functioning. We can also attest that, during the period in which we exercised our function, the Directors did not perform any transactions that diverged from the corporate purpose, or any transactions which were manifestly imprudent or detrimental to the company, or any atypical and/or unusual transactions. More in general, we note that in operating terms, no operations were carried out which conflicted with decisions made by the Directors. During the course of 2011, the Board of Auditors met nine times, and also conducted an audit at the Bologna affiliate.

Results of Financial Statements

With regard to regular bookkeeping and recording of accounting events, the control function was performed by the outside auditor that your company appointed, Deloitte & Touche SpA. To the Board's knowledge, there have been no objections raised or anomalies reported with regard to organization or whether the accounting structure is suitable for proper reporting of operating events. In particular, we have monitored the approach and formation of this structure to determine whether proper accounting standards have been used, whether the financial statements correspond to the operating events which occurred during the year, and whether the report on operations is complete.

We have examined the draft financial statements at December 31, 2011 that were prepared by the directors pursuant to law, which the Board regularly communicated to the Board of Auditors along with the statements and report on operations on March 1, 2012.

The financial statements submitted to your attention consist of the following:

- the report on operations
- the balance sheet
- the income statement
- the statement of comprehensive income
- the statement of changes in shareholders' equity
- the statement of cash flows
- the explanatory note; the notes that contain a list of accounting standards and other explicative notes

As the company must comply with specific regulatory provisions regarding its nature and business activity, the financial statements that the directors submit for your approval were prepared using a presentation layout that differs, in formal terms, from the one set out in articles 2424 and 2425 of the Italian Civil Code. The Board notes that the financial statements were prepared in compliance with the form requirements mandated for credit and financial institutions by EEC Directive no. 86/635 as amended, and also comply with the provisions of Legislative Decree no. 87 of January 27, 1992, Legislative Decree no. 38 of February 28, 2005, and the instructions on these issues promulgated by the Bank of Italy (in particular Bank of Italy Circular no. 262 of December 22, 2005 as amended). As already indicated in the introductory paragraph, we performed our examination according to the code of conduct for boards of auditors recommended by the Italian National Council of Accountants and Tax Advisors. In compliance with these standards, we have referred to the provisions of law that govern financial statements, both the general provisions of the Italian Civil Code and international accounting standards, and the specific provisions dictated by Legislative Decree 58/98, interpreted and adapted following application of IAS/IFRS international accounting standards, as set out in Legislative Provision no. 38 of February 28, 2005 implementing EU Regulation no. 1606 of July 18, 2002, and also as interpreted by the O.I.C. (Organismo Italiano per la Contabilità – Italian Standard Setter).

With regard to the quantitative representation used to express values in the Balance Sheet and income Statement, we refer to the analysis in the file for the "Financial Statements at December 31, 2011."

We note that the report on operations conforms to the relevant provisions of law. Therefore, it is exhaustive and consistent with the data and information provided in the financial statements and the explanatory note. The report analyzes the various types of risk connected with business activity and the settlement of all disputes that arose with the Revenues Agency. In this regard, we note that the dispute regarding the 2005 tax year was resolved on June 28, 2011 through a judicial settlement pursuant to Article 48 of Legislative Decree 546/1992, while the disputes for the years 2006 to 2009 were resolved on June 30, 2011 through a tax assessment settlement pursuant to Legislative Decree no. 218/1997.

To complete our report, we declare that the Board has not received any petitions from third parties or any complaints pursuant to Art. 2408 of the Italian Civil Code.

Dear Shareholders,

Based on the above, and noting that the audit report issued by Deloitte & Touche SpA does not find any irregularities in the financial statements or make any requests for information on what the directors have analytically illustrated in the Report on Operations and the Explanatory Note, with regard to the matters within our competence, we express our opinion in favor of approving the financial statements for 2011 and the related proposal for the appropriation of net earnings.

Milan, March 16, 2012

THE AUDITORS

Carlo Bellavite Pellegrini, Chairman
Pio Bersani, Statutory Auditor
Flavio Dezzani, 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, 2011, and the income statement, statement of comprehensive income, 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 March 11, 2011.

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, 2011, 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, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 16, 2012

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

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This is a translation of the Italian original "Relazione e bilancio d'esercizio al 31 dicembre 2011" and has been prepared for convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available upon written request to:

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