FACTORIT

Annual Report and Financial Statements at December 31, 2012

Banca Popolare di Sondrio Group

This is an english translation of the italian language original “Relazione e Bilancio d’Esercizio al 31 dicembre 2012” *that has been prepared solely for the convenience of international readers. In case of ambiguity, the italian text will prevail. The italian language original* “Relazione e Bilancio d’Esercizio al 31 dicembre 2012” *is available on www.factorit.it.*

Annual Report and Financial Statements

at December 31, 2012

Factorit
GRUPPO Banca Popolare di Sondrio

Factorit S.p.A.
Registered headquarters, General Management and Operating Headquarters
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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 Control Organs

Board of Directors

Chairman	Piero Melazzini
Managing Director	Antonio De Martini
Directors	Paolo Franco Croci
	Mario Alberto Pedranzini
	Lino Stoppani

Board of Auditors

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

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

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DIRECTOR'S REPORT ON OPERATIONS

Dear Shareholders,

The 2012 financial statements, your company's thirty-fourth, have closed with net earnings of Euro 14,879,199.

2012 was a year of further consolidation of the 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. Efforts continued on the work of developing the distribution channel, which consists of member banking networks.

INTERNATIONAL INFORMATION

In 2012, world economic growth came to about 3.3%, as a result of the +1% for the most industrialized areas (where Europe, however, stood out with its poor results) and a gradual loss of vigor in developing countries, which still had a 5% growth rate.

GDP trended upward in the United States, with the average for the first three quarters, which will be our period of reference from now on, at 2.3% compared to +1.8% for 2011.

Internal demand was supported by investments (+9.3%) more than by private consumption (+1.8%), not to mention public spending, which dropped by 1.7%. The contribution from the foreign channel remained positive by virtue of a more dynamic trend in exports (+3.8%) than in imports (+3.3%).

Although it rose to 2.2% in October, inflation was not worrisome. Control of unemployment – which dropped to 7.4% in November – was the objective behind the FED's expansive monetary policy. While neighboring Canada (+2.2%) and Mexico (+4.2%) achieved results similar to 2011, the heart of Latin America was greatly impacted by the global downswing, in particular Argentina (from 8.9% to 2.6% at the half-year) and Brazil (from 2.8% to 0.7%), and to a lesser extent Chile (from 6.1% to 5.5%).

Additional confirmation that languishing world trade also affected major emerging countries came from China (whose GDP growth went from +9.3% to +7.9%) and India (from +7.5% to +5.4%), even though those growth rates are unattainable for more advanced economies.

China also experienced a cool-off in price dynamics, from 4.1% in December 2011 to 1.7% ten months later. This allowed the Central Bank to cut the rates of reference by about half a point.

In Japan, the return to growth (+2.6%) was triggered by domestic demand, especially in the component of investments (+5.8%) dedicated to reconstruction following the well-known disasters. Nevertheless, as this impulse weakened, along with the end of incentives for the purchase of motor vehicles, it provoked a sharp slow-down in the third quarter. Foreign trade suffered from the appreciation of the yen.

Of the Asian countries, which had about 5% growth in 2011, only Malaysia repeated its performance (+5.3%), leaving out Singapore (+1.5%), Hong Kong (+1.1%) and Taiwan (+0.5%). South Korea and Thailand, whose growth was slower the previous year, respectively reported +2.2 and +2.6%.

Russia instead moved forward, from 4.3% to 4.5% in mid-2012.

The Euro Zone is clearly in difficulty: in the first nine months of 2012, GDP came to -0.4%, following a declining trend that has been in place for some time. All items in internal demand ended up in negative territory: most seriously investments (-3.4%) and family consumption (-1.1%), while public spending remained essentially unchanged (-0.1%).

The foreign channel continued to have positive input, thanks to both a drop in purchases (-0.8%) and growth in sales (+2.9%).

Overall performance is the result of a slowdown in France (+0.1% from almost two) and especially Germany (+1% from over three), which is no longer able to stem the tide of difficulties in other countries: Italy, which we will discuss in greater detail below, Spain (-1.2%), Portugal (-3%) and, of course, Greece (-6.7%).

Inevitably, unemployment, which had returned to over 10% the previous year, gradually rose to 11.8% in the October report. Also symptomatic was the drop in inflation, from 2.7% in late 2011 to 2.2% last November.

Troubled European political institutions decided on new rescue attempts for the Greek debt, but not without a significant cut in the value of repayment to private holders, and, subject to the creation of centralized banking supervision, they outlined the possibility of using additional bailout funds to directly recapitalize banks.

At the same time, in February the ECB activated a second long-term refinancing operation (LTRO), providing the banks with significant funds that, at least in Italy, were in large part invested in government securities. In early September, with the justification that it needed to "restore mechanisms for transmitting monetary policy," the Frankfurt institution announced the creation of an "anti-spread shield," invoked primarily by the Italian government, in the unprecedented form of unlimited acquisition of two or three year government securities, upon a request for assistance from the country involved, and with possible intervention by the IMF in monitoring specific conditions.

Faced with this reality, the widespread European recession hit even the United Kingdom with its fiercely defended independent currency, with a drop of 0.2%.

Even Switzerland slowed down; in the first nine months of the year, GDP reported an increase of a little less than 1%. Actually, private consumption showed good growth (+2.4%) and public consumption continued to expand (+1.8%); yet there was a sharp brake on investments (+0.6%) and even more on exports – which slipped into the negative (-0.5%), aggravated by the strength of the Swiss franc, even though subject to price control – and which were incapable of offsetting foreign purchases, which rose by 1.7%.

While the unemployment rate remained essentially stable, deflation, which was about one percentage point in the first half of the year, subsequently improved thereafter, from -1.2% in June to -0.1 in October and November. All elements of evaluation – exchange rate, prices, and economic situation – suggested that the Swiss National Bank should leave official rates at close to zero.

ITALIAN SITUATION

Up to the month of September, Italian GDP declined by 2%, confirming a slump that, quarter after quarter, became increasingly worrisome.

The weakness in internal demand explains not only the drop in private consumption (-4.1%) and public consumption (-1.2%), and the more accentuated drop in investments (-9.1%), but even the drop in quantities imported (-8.1%), in light of a foreign trade that moreover benefited from the increase in exports (+2%).

In October, the balance of trade swung to the positive by 6.5 billion, against the deficit of over 25 billion in the first ten months of 2011. The improvement regarded both relationships with EU countries (from -3.8 to +9.6 billion), and those with countries outside the Union (from -21.5 to -3.1 billion).

Unemployment dropped from over 10% to 9.8% in the summer quarter. October figures have risen to 11.8%, accompanied by the figure for youth unemployment (ages 15 to 24), which rose from 32.1% to 38.8%.

Inflation, which came to 3.7% in late 2011, stabilized at 3.4% in the first two months of 2012, a figure which was confirmed in September. There was a clear retreat in the fall, with November reaching a much more acceptable 2.6%.

Regarding the national budget, the ratio of net indebtedness and GDP was supposed to return below the threshold of 3%, over time balancing out as required by the fiscal compact, at least in structural terms. Due to the poor performance denominator, debt, which it was hoped might begin to drop, instead began to weigh even more heavily on Product, from 120.7 to about 126.5%.

Nevertheless, the international community and financial markets seem to view its sustainability much more favorably, as we can clearly see by the performance of the spread between the yield for ten year BTP and the corresponding German Bund, which dropped from 520 to 318 basis points during the year. Moreover, this differential closed with an advantage of almost 80 basis points over the Spanish one, which had been about 200 lower the previous year.

Contributing to this were not only the personal prestige of the Prime Minister and the reforms put in place by his government, but also the action supported by the President of the ECB, both with the announcement of potential purchases of government securities, a move so decisive that so far no actual follow-up has been necessary, and with the previous disbursement to banks of resources effectively invested as a crucial support for these instruments.

We note that, along with future benefits in terms of the burden of debt servicing, the reduction of the spread, which appears to be in sharp contrast to the suffering of the real economy, is now likely to have a positive effect on it as well, to the extent that as the cost of funding for banks cools down, it will allow them to give credit to families and businesses with less burdensome conditions.

FACTORING, THE GLOBAL MARKET

Early information on the global performance of factoring during 2012 shows a market that continues to grow, driven by the solid development of the Chinese market (both as an exporter and in its new role as an importer). In the Export Factoring area, the most sustained growth was reported not only in China, but in Turkey and Hong Kong; while in Import Factoring we find the United States, France, and as mentioned, China.

The latest data supplied by FCI – Factors Chain International – show an overall volume of brokered receivables equal to 2,015 billion euros at December 31, 2011, an increase of 22.3% from the previous year. In particular, the amount of domestic receivables came to 1,741 billion euros, while receivables from international transactions come to 274 billion.

With 1,218 billion euros in receivables sold (+16.5%), Europe represents over 60% of the global factoring market, although Asia is the continent with the highest growth (+43.1%), with receivables sold equal to 509 billion euros.

In the Americas, growth was 11.8% (207 billion euros), in Oceania 27.6% (58 billion euros) and in Africa 40.5% (23 billion euros).

While 2011 was characterized by a continuing international economic crisis, the domestic and international factoring market reported a significant expansion, a sign of its ability to regulate commercial trade and create financial support and protection from credit risks.

At December 31, 2012 the FCI network consisted of over 260 members, present in more than 70 countries in the world.

FACTORING, THE DOMESTIC MARKET

Despite the weakening of the world economy and the current recession in Italy, in 2012 the Italian factoring market grew by 4.3% for a total of 175.3 billion euros in receivables sold, a figure that accounts for over 11% of GDP. Nevertheless, we should note the slow-down compared to the rate of growth of the previous year (+21.9%).

The increase in volume of business in the sector in 2012 did not, however, translate into the assumption of greater risks by Italian factors: according to the latest data available, in fact, non-performing receivables in factoring came to 2.87% at September 30, compared to 6.12% on bank loans.

The amount of total receivables reached 57.5 billion euros (+0.9%) and financial advances and payments made to clientele, which, in line with last year, represent about 9% of short-term bank loans, 46.1 billion euros (+2.5%), bringing the ratio between advances and receivables to 80.2%.

Table 1. **Development of the factoring market in Italy (Source: Assifact)**

	2009	**2010**	**2011**	**2012**
Turnover	118,042,144	136,755,784	168,860,383	175,314,853
Outstanding	43,999,021	50,817,961	57,248,041	57,519,001
Advances	33,482,288	39,259,127	45,132,438	46,112,471
Advances/Outstanding	76.1%	77.3%	78.8%	80.2%

(values in thousands of euros)

The majority of factoring companies in Italy are branches of the banking system.

The volume of receivables sold to the top four operators in the system, which include Factorit, represents 67.7% of total market turnover (in line with 2011, a year when this figure came to 66.5%).

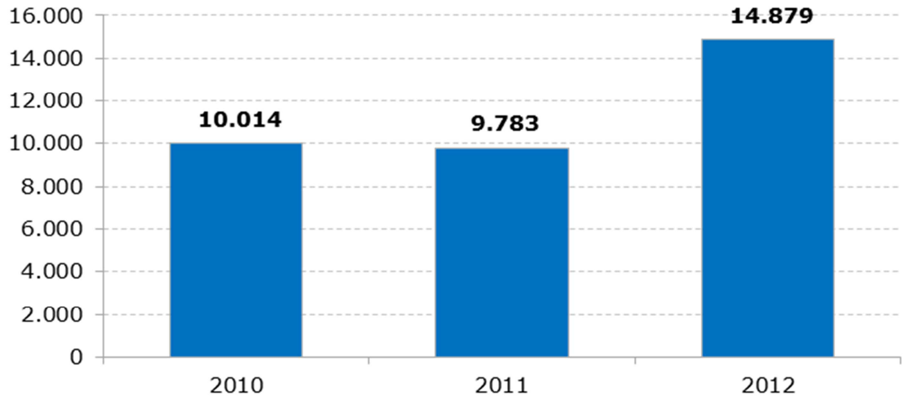
COMPANY PERFORMANCE

Economic and income results

The year 2012 was characterized by a continued negative economic situation and high credit risks.

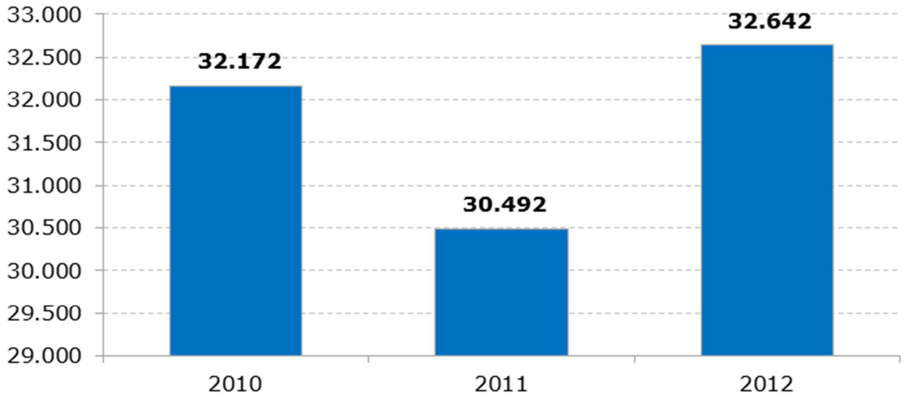
The Company ended the year with net earnings of 14.9 million euros, after allocating adjustments in gross value due to impairment of receivables for 31.7 million euros and of other financial transactions for 1.5 million. Writebacks were respectively 3.7 million euros for receivables and 0.6 million for other financial transactions. Total net adjustments therefore come to 28.9 million euros.

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



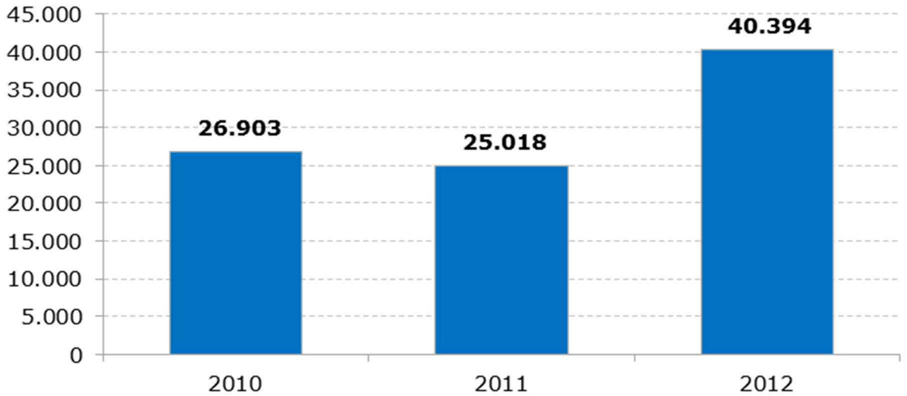
Activity generated an earning margin of 73.4 million euros, of which 40.4 million arise from financial proceeds and 32.6 million from commissions.

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



The increase in applicable spreads had a positive effect on financial proceeds.

Graph 3. **Performance of Financial Proceeds** *(thousands of euros)*



The Earning before taxes (EBT), equal to 24.6 million Euros, was affected by net adjustments in value for a total of 28.9 million Euros (17.3 million in 2011), as a consequence of the impairment of various positions.

To permit a clearer and more immediate picture of the Company's economic performance, the following table correlates the results and several principal indicators of the year, compared with data of the previous year.

Table 2. **Principal economic data reclassified**

	2011	2012
Net commissions	30,492	32,642
Net financial proceeds	25,018	40,394
Net results trading activity	10	314
Earning margin	55,520	73,350
Total net operating costs	20,269	18,917
Gross operating profit	35,251	54,433
Net operating profit	17,926	24,605

(thousands of euros)

	2011	2012
Cost/Income	36.5%	25.8%
ROE	5.9%	8.4%
Interest margin/earning margin	45.1%	55.1%
Services margin/earning margin	54.9%	44.5%

Principal operating events

During the Board of Directors’ meeting of January 26, 2012, the anti-money laundering function regulations were approved; these were arranged in compliance with the results and evaluations prepared jointly with the parent company, aimed at identifying the controls useful for preventing and combating money laundering operations and the financing of terrorism.

In compliance with the new obligations set out by the provision of the UIF (Financial Intelligence Unit) of December 22, 2011, the first aggregated anti-money laundering reports (SARA) were sent out in April. The procedure contemplated sending aggregated data at January 2012 as well as previous data (June 2010 to December 2011). In subsequent months, aggregated data were sent monthly, as provided by the above mentioned provision.

On May 9, 2012 the Board of Directors resolved to implement the Parent Company's rules regarding "Policies for managing the risk of non-compliance with the laws." The meeting also approved the rules concerning operativity ex art. 136 TUB (Consolidated Banking Act), which contain methods and operating practices to be followed when those who perform management, administrative and control functions assume obligations of any kind and engage in direct and indirect purchase agreements to a bank and/or a financial intermediary.

In the meeting of June 13, 2012 the Board of Directors resolved to implement the first level regulations already approved by the parent company during the board meeting of May 15, 2012, regarding Rules on the process of managing risk due to shareholdings that can be held in non-financial companies, Rules on the process of managing possible conflict of interest with connected parties, the related Rules on transactions with related parties and, finally, Rules on the internal process for determining adequate assets.

The ICAAP Rules prepared by the Parent Company were ratified during the Board of Directors' meeting on July 18, 2012.

During the Board of Directors' meeting of September 19, 2012 the updated Group Rules were ratified. These reflect the changes resulting from the ratification of the provisions issued by

Banca d'Italia on December 12, 2011, concerning risky activity and conflicts of interest with "related parties" and shareholdings owned by banks and banking groups.

During this meeting, the updated internal code of self-discipline prepared by the parent company was ratified as well.

On October 26, 2012 the President of Banca Popolare di Sondrio, Piero Melazzini, assumed the office of President of Factorit, after Professor Roberto Ruozi turned in his resignation on September 25, 2012 in compliance with the new provisions of law regarding interlocking (Art. 36 of Law Decree no. 201/2011).

For the same reason, the Board received the resignation of a statutory auditor on October 15, 2012.

The Board of Directors' meeting held on December 12, 2012 approved the Company's General Rules, which ratify the parent company's guidelines. The Rules were updated based on significant changes made to the organizational structure which were already approved, where required, in previous meetings of the Board of Directors, in particular with regard to the Anti-Money Laundering Function and the Risk Management Service.

The Board of Directors also approved several appointments in the sales area aimed at a more efficient management of resources and clientele.

Sales Performance

The amount of receivables sold during the period came to Euro 9,518.5 million, less than the previous year (-14.9%). The drop is due to a 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 operate, as well as steps taken to consistently limit exposure to counterparts who appear to be in difficulty.

There was a total of 1,600 active clients on December 31, compared to 1,431 for the previous year, an increase of 11.8%. These are companies that are diverse in terms of standing and size, belonging mainly to the SME segment.

The increase is in large part the result of the positive contribution from banking distribution channels, in particular banks within the territory of shareholder institutions. In fact, they accounted for 66.2% of new client recommendations (equal to 70.7% of development turnover).

Receivables sold without recourse, that is with guaranteed collection, came to 54.2% of total turnover, while those sold with recourse accounted for 45.8%. The ratio between the two types continued to regain balance compared to last year. The market figure for the breakdown of the two types is instead 31.8% of receivables sold with recourse and 68.2% of receivables sold without recourse, in line with the previous year.

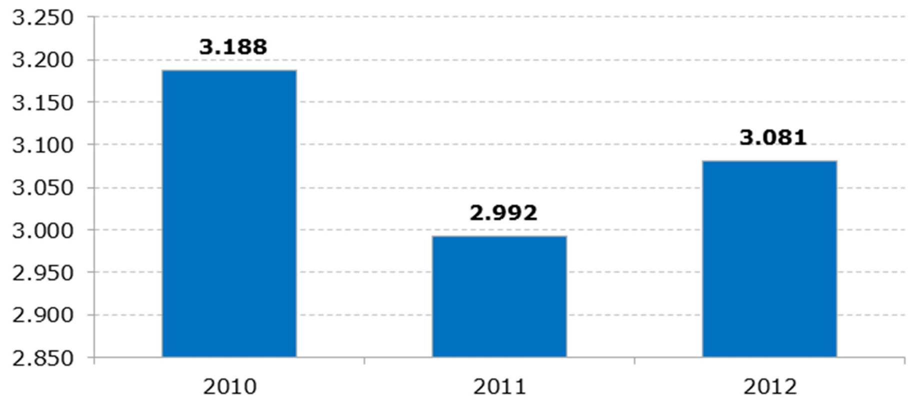
Table 3. **Operating data**

	2011	2012	Deviation
Turnover	**11,179,694**	**9,518,456**	**-14.9%**
Without recourse	6,699,643	5,161,285	-23.0%
With recourse	4,480,051	4,357,171	-2.8%
Net commissions (%)	**0.27**	**0.35**	
Advances (Stock) at 12/31	**1,686,988**	**2,060,692**	**22.2%**
Outstanding	**2,992,243**	**3,081,481**	**3.0%**
Without recourse	1,298,130	1,394,129	7.4%
With recourse	1,694,113	1,687,352	-0.4%
No. documents processed	**2,515,154**	**1,211,764**	**-51.8%**

(values in thousands of euros)

The balance of existing (outstanding) receivables at December 31 came to 3,081.5 million (+3.0%).

Graph 4. **Balance of outstanding receivables** *(millions of euros)*



The number of documents processed, in terms of the administrative handling of sales of credit, was 1.2 million, less than the previous year.

The average duration of receivables increased to 118 days, compared to 98 in 2011 and 119 for the market average in 2012.

The increase in average turnover time for receivables is due primarily to longer client payment times. This is the result of the economic crisis, which continued into 2012, and more demand from client companies involved in the segment of supplying the public administration, which is typically characterized by longer payment times. The figure is nevertheless in line with what is reported at the system level.

The breakdown by management sector of the amount of receivables sold at December 31, 2012 shows the growth in so-called territorial segments involved in managing clients in northern Italy (Lombardy and Piedmont) and in Lazio, areas where shareholder banks have a more widespread presence. Positive results were also achieved in segments that manage receivables from public entities and large corporate clients, while the result for units that operate with parties in the economic and industrial sectors that were most impacted by the economic crisis (such as the automotive market and large-scale retail distributors) remains negative.

The analysis of turnover by product shows a preponderance of traditional factoring, which accounts for 45.9% of total volumes and is characterized by newly acquired clients who belong to the SME segment, consistent with the parent company's commercial strategies and client portfolio.

Successively there are: financing products with no notice (26.6% of the total), maturity factoring (16.1% of the total) and products with guarantee only without notice (11.4% of the total).

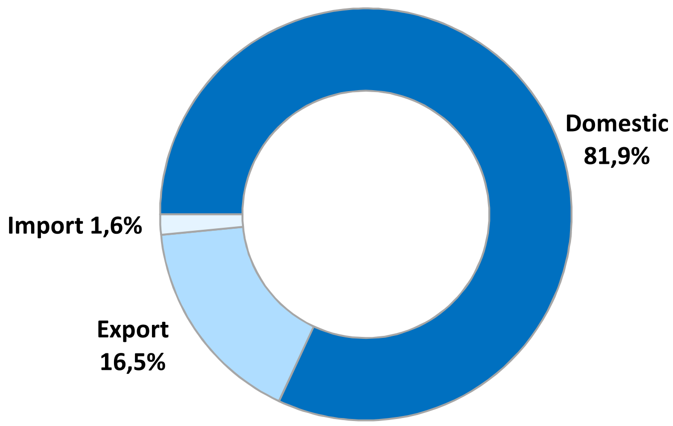
Table 4. **Product segmentation (incidence on total)**

	2010	2011	2012
Traditional factoring	34.8%	40.6%	45.9%
Financing without notice	13.9%	14.5%	26.6%
Maturity Factoring	32.1%	26.9%	16.1%
Only guarantee without notice	18.4%	18.0%	11.4%
Other	0.8%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**

(Percentage values)

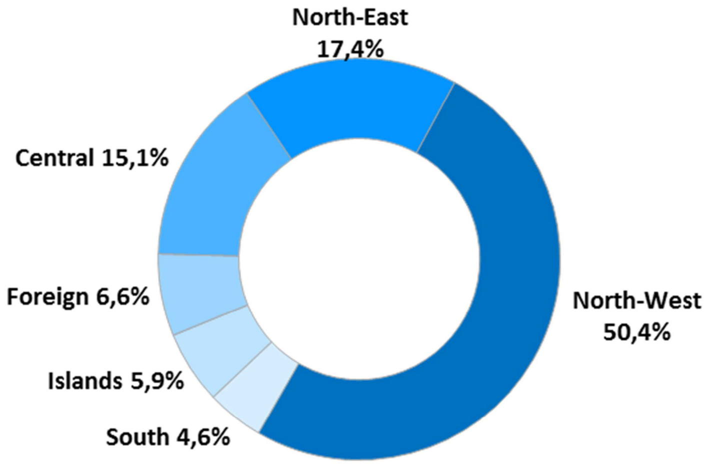
Domestic operations constitute 81.9% of total receivables sold (7,799.2 million euros in turnover). Export factoring accounts for 16.5% (1,568.6 million euros) and import factoring for 1.6% (150.7 million euros).

Graph 5. **Territorial distribution of turnover**



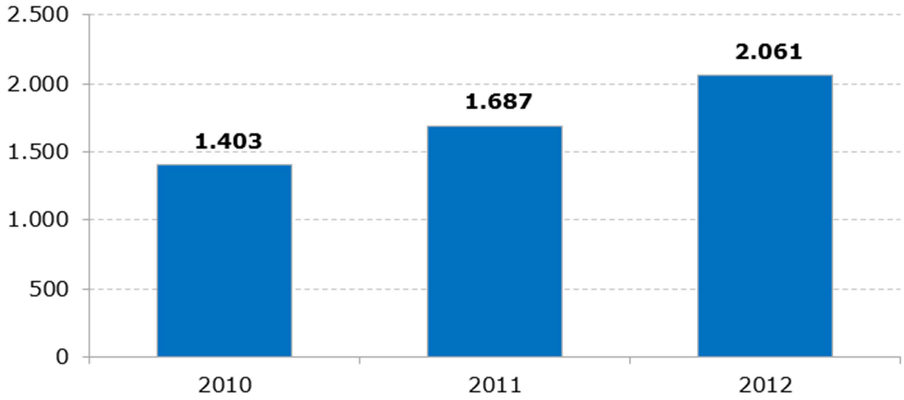
The Company's sales activity is concentrated on territories where shareholder institutions have a greater presence. Lombardy accounts for 36.8% of total receivables sold, an increase over 2011. This is followed by the most significant regions in terms of volume - Lazio (11.1%) and Piedmont (10.8%), both in line with last year, Emilia Romagna (7.9% of the total, decreased compared with 2011) and Veneto (6.1%, increased). The contribution to turnover of sellers with headquarters abroad remained stable (6.6%).

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



The amount of advances at December 31, 2012 was 2,060.7 million euros, equal to 66.9% of existing receivables, with an increase of 22.2% over the previous year.

Graph 7. **Performance advances** *(millions of euros)*



Distribution channels

The amount of assignments from clients recommended by shareholder banks came to 4,121.0 million euros, accounting for 43.3% of total receivables sold, and an increase of 26.0% compared to the previous year, primarily due to the efforts of the parent company Banca Popolare di Sondrio.

There are 64 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, the clients indicated contributed 4,737.2 million euros, equal to 49.8% of the total.

Clients from the "direct" channel, instead, sold 4,630.6 million euros, a drop of 32.0% over the previous year, in favor of clients of banking origin.

The contribution of clients recommended by foreign correspondents is in line with 2011: the volume of receivables from import factoring operations reported through FCI (Factors Chain International) went from 152.7 million euros to 150.7 million euros (-1.3%).

Table 5. **Turnover by distribution channel**

	2011	Incid.%	2012	Incid.%	Discrep. %
BPS	*952,708*	*8.5%*	*1,783,581*	*18.7%*	*+87.2%*
BPM Group	*1,078,374*	*9.6%*	*1,104,043*	*11.6%*	*+2.4%*
Banco Group	*1,240,542*	*11.1%*	*1,233,403*	*13.0%*	*-0.6%*
Shareholder banks	***3,271,624***	***29.3%***	***4,121,027***	***43.3%***	***+26.0%***
Total Banks	4,212,458	37.7%	4,737,168	49.8%	+12.5%
Total Direct	6,814,536	61.0%	4,630,586	48.6%	-32.0%
Total Import	152,700	1.4%	150,702	1.6%	-1.3%
Total	**11,179,694**	**100.0%**	**9,518,456**	**100.0%**	**-14.9%**

(values in thousands of euros)

Statutory compliance

In compliance with Banca d’Italia's 2009 supervisory provisions on banking transparency, training courses were offered to personnel in 2012, and in-depth inspections were performed to determine whether informational sheets and contractual documents were compliant with the existing regulations; improvements were also made to the complaint management procedure.

With regard to the Supervisory Authority's provision on privacy, Legislative Decree 196/2003, the Company made privacy training courses available to employees through e-learning.

With regard to regulations to combat money laundering and the financing of terrorism, in 2012 the compliance function provided nine opinions concerning the correct regulatory interpretation of various issues related to requirements for the adequate examination of clientele, registration in the Centralized Computer Archive, and requests from the competent authorities.

Organizational structure and human resources

The sales structure underwent an organizational review in order to adapt it to market needs and increase collaboration with shareholder and partner banks. The most significant action was the appointment of a single manager for the development of sales. Over the course of the year, this position will take on the duties of coordinating, guiding and managing the dedicated resources. The operating structure of the Padua affiliate was also expanded, with the addition of two consultants with experience in the sector and knowledge of the territory.

Some internal shifts affected the structure of the client management service (assignors and debtors), in order to strengthen the most strategic operating sectors where clients make the most requests for assistance.

Table 6. **Average employees**

	2011	**2012**
Executives	3	4
Mid-level managers	64	64
Employees	78	86
Total	**145**	**154**
Part-time	*18*	*17*

7 employment relationships terminated during the year, while there were 15 new recruitments, of which seven were pursuant to an apprenticeship contract, six were temporary (two of which were to cover maternity leave) and two were indefinite. The average data for total employees (154) is not weighted, in particular with reference to the 17 part-time contracts. The peak number of employees at December 31, 2012 was 160, with 89 men and 71 women.

Intense training activity continued during the year just ended. A detailed orientation process was implemented for new hires, which includes basic training on typical banking issues; specialized classroom training, both in and outside the company; and mentoring within the company. Continuing professional education proceeded for all employees, with training courses financed by the Banking and Insurance Fund, which made it possible to strengthen the technical skills of personnel.

In November, in collaboration with the Assifact trade association and SDA Bocconi of Milan, a project was initiated for the "Development of Management Service skills," which will also continue into 2013. The goal of this project is to improve the technical and managerial skills of personnel working in Management Service, the area which has experienced the most problems due to the continuing economic crisis in Italy.

The company also ratified the new State-Regions agreement on workplace safety and trained all employees in accordance with the new directives.

Finally, distance learning continued, in particular with regard to laws on privacy, money laundering, and Law 231.

Risks linked to the Company's Business

<u>Interest rate and liquidity risk trends</u>

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 2012 as well they were managed by the parent company, which guaranteed the contribution of the financial resources needed to carry on the business.

<u>Credit risk trends</u>

With regard to credit risk trends for 2012, 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, 2012, overdue on balance sheet exposure, before adjustments, came to 54.6 million euros and corresponded to 2.6% of overall capital advances. These positions, net of adjustments, come to 6.5 million euros (9.2 million in 2011), equal to 0.3% of advances

(0.5% in 2011), which at December 31, 2012 came to 2,061 million euros (1,687 million at December 31, 2011).

The percentage of hedging for non-performing receivables is 88.1%.

Impaired on balance sheet exposures at December 31, 2012, before adjustments, came to 62.7 million euros (34.4 million euros in 2011) and came to 42.1 million euros net of adjustments (19.9 million in 2011).

At December 31, 2012 total losses of 15.2 million euros were reported (25.0 million in 2011). In detail: 7.0 million euros related to exposures with assignors; 7.3 million euros for debtors; 0.3 million euros for fees and receivables of less value and, finally, 0.6 million euros for transactions related to defending lawsuits or insolvency rescission actions. The amount booked was totally covered by the appropriate funds.

Concentration of risk and guarantee capital

During 2012 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, 2012, 22 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 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

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

Sales activity will continue the efforts of the entire dedicated structure in order to meet assigned objectives for the new year.

Action to develop new clientele will concentrate on increasing the number of new clients, focusing attention on markets and segments that reflect the positioning of member banks.

The goal of the structure will be to guarantee continued profitable collaboration with member banks, develop collaboration with partner banks and take steps to sign new operating agreements for the distribution of factoring products and services with credit institutions in areas where shareholder banks have fewer branches.

The Client and Debtor Management Service will continue to develop factoring products in managed portfolios, and given the still problematic economic situation, will continue its strict policies in managing debtors.

Important events after year end

Annibale Ottolina, member of the Board of Directors, handed in his resignation on January 21, 2013, pursuant to Art. 36 of Law Decree no. 201/2011 on so-called "interlocking."

For logistical reasons, on February 11, 2013 the sales office in Prato, dedicated to the development of sales activity in Tuscany and Umbria, was transferred to the city of Siena.

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, 2012 and the appropriation of earnings as follows:

Net earnings for the year	Euro	14,879,199
Earnings from previous years carried forward	Euro	182,150
Earnings to be appropriated	Euro	15,061,349
of which:		
5% to legal reserve	Euro	743,959
Dividend of Euro 0.07 to each of the 85,000,002 shares in circulation	Euro	5,950,000
Earnings to the extraordinary reserve	Euro	8,130,000
Earnings carried forward	Euro	237,390

We therefore ask you to approve the financial statements presented to you as well as the proposed appropriation 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 union.

Milan, March 13, 2013

For the Board of Directors

The Chairman
(Piero Melazzini)

FINANCIAL STATEMENTS AT DECEMBER 31, 2012

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 December 16, 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 performance for the year.

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

BALANCE SHEET

(figures in euros)

Assets	12/31/2012	12/31/2011
10. Cash and cash equivalents	5,400	6,494
60. Receivables	2,011,553,763	1,656,910,431
100. Tangible assets	384,319	320,936
110. Intangible assets	1,256,035	1,191,087
120. Tax assets	36,563,804	32,098,946
a) current	9,706,588	10,955,498
b) deferred	26,857,216	21,143,448
Pursuant to Law. no. 214/2011	24,601,540	19,312,490
140. Other assets	3,395,495	3,018,413
TOTAL ASSETS	**2,053,158,816**	**1,693,546,307**

Liabilities and shareholders' equity	12/31/2012	12/31/2011
10. Payables	1,822,663,367	1,468,368,912
70. Tax liabilities	17,981,966	9,705,213
a) current	15,597,799	7,369,749
b) deferred	2,384,167	2,335,464
90. Other liabilities	27,253,373	41,487,297
100. Employee severance pay	2,233,450	1,948,599
110. Provisions for risks and charges:	5,528,393	5,129,380
a) retirement and similar obligations		
b) other provisions	5,528,393	5,129,380
120. Capital	85,000,002	85,000,002
150. Share premium reserves	11,030,364	11,030,364
160. Reserves	66,724,986	60,999,011
170. Valuation reserves	-136,284	71,554
180. Net income (Loss)	14,879,199	9,805,975
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,053,158,816**	**1,693,546,307**

As a result of advance application of the new version of IAS principle 19 “Benefits for employees," as more clearly specified in the accounting Policies, the company booked the amount relative to "actuarial evaluation" against the item "Other valuation reserves”; therefore, for the year 2011, with regard to the year 2010, the amount of Euro 143,974 was reclassified from the item “Reserves" to the item "Valuation reserves."

INCOME STATEMENT

(figures in euros)

	12/31/2012	12/31/2011
10. Interest receivable and similar income	62,879,889	47,686,849
20. Interest payable and similar expense	-22,485,339	-22,668,613
NET INTEREST MARGIN	40,394,550	25,018,236
30. Commissions income	38,927,892	36,383,058
40. Commissions expense	-6,285,732	-5,891,692
NET COMMISSIONS	32,642,160	30,491,366
60. Net result from trading	313,573	10,480
EARNING MARGIN	73,350,283	55,520,082
100. Net value adjustments for impairment of:	-28,935,436	-17,349,428
a) financial assets	-28,076,692	-18,943,665
b) other financial operations	-858,744	1,594,237
110. Administrative expense	-21,864,609	-22,691,889
a) personnel expense	-11,545,870	-11,809,106
b) other administrative expense	-10,318,739	-10,882,783
120. Net value adjustments on tangible assets	-109,103	-88,392
130. Net value adjustments on intangible assets	-50,977	-27,792
150. Net provisions for risks and charges	-893,530	24,677
160. Other operating income and expenses	3,108,084	2,569,865
OPERATING MARGIN	24,604,712	17,957,123
180. Net income (Loss) from the sale of investments	0	2,700
NET INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	24,604,712	17,959,823
190. Income taxes for the year on continuing operations	-9,725,513	-8,153,848
NET INCOME (LOSS) AFTER TAX FOR FROM CONTINUING OPERATIONS	14,879,199	9,805,975
NET INCOME (LOSS)	14,879,199	9,805,975

As a result of advance application of the new version of IAS principle 19 “Benefits for employees," as more clearly specified in the accounting Policies, the company booked the amount relative to "actuarial evaluation" against the item "Other valuation reserves”; therefore, for the year 2011, the sub-item "Expenses for personnel" was normalized for Euro 31,133, the item "income taxes for the year on continuing operations " for Euro 8,561, and net income for Euro 22,572.

STATEMENT OF COMPREHENSIVE INCOME

(figures in euros)

Items		12/31/2012	12/31/2011
10	Net income (Loss)	14,879,199	9,805,975
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	(207,838)	(22,572)
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)	14,671,361	9,783,403

CHANGES IN SHAREHOLDERS' EQUITY AT 12/31/2012

(figures in euros)

	Amounts at 12/31/2011	Change in opening balances	Amounts at 01/01/2012	Allocation of net income for the previous year		Changes for the year						Comprehensive income 12/31/2012	Shareholders' equity 12/31/2012
							Operations on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	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	56,045,301		56,045,301	5,725,975									61,771,276
b) other	4,953,710		4,953,710										4,953,710
Valuation reserves:	71,554		71,554									(207,838)	(136,284)
Equity instruments													
Treasury shares													
Net income (loss)	9,805,975		9,805,975	(5,725,975)	(4,080,000)							14,879,199	14,879,199
Shareholders' equity	166,906,906		166,906,906		(4,080,000)							14,671,361	177,498,267

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 during the year						Comprehensive income 12/31/2011	Shareholders' equity 12/31/2011
						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	50,277,705		50,277,705	5,767,596									56,045,301
b) other	4,953,710		4,953,710										4,953,710
Valuation reserves:	(72,420)	166,546	94,126									(22,572)	71,554
Equity instruments													
Treasury shares													
Net income (loss)	10,014,142	(166,546)	9,847,596	(5,767,596)	(4,080,000)							9,805,975	9,805,975
Shareholders' equity	161,203,503		161,203,503		(4,080,000)							9,783,403	166,906,906

CASH FLOW STATEMENT

(figures in euros)

A. OPERATING ACTIVITY	Amount	
	12/31/2012	12/31/2011
1. CASH FLOW FROM OPERATIONS	**60,001,939**	**37,254,956**
- net income (+/-)	14,879,199	9,805,975
- gains (losses) on financial assets held for trading and on financial assets/liabilities designated as at fair value through profit or loss (+/-)	-313,573	-10,480
- net value adjustments for impairment (+/-)	28,935,436	17,349,428
- net value adjustments on tangible and intangible assets (+/-)	160,080	116,184
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	893,530	-24,677
- unpaid taxes and duties (+/-)	15,311,743	9,971,966
- other adjustments (+/-)	135,524	46,560
2. CASH FLOW FROM/USED IN FINANCIAL ASSETS	**-401,015,645**	**-268,173,548**
- receivables due from banks	-4,900,122	-6,744,578
- receivables due from financial institutions	-121,182,907	-7,696,999
- receivables due from customers	-268,841,766	-254,079,884
- other assets	-6,090,850	347,913
3. CASH FLOW FROM/USED IN FINANCIAL LIABILITIES	**333,721,423**	**244,462,239**
- payables due to banks	353,951,840	333,779,117
- payables due to financial institutions	226,972	-291,525
- payables due to customers	115,643	-18,488,230
- outstanding securities	0	0
- other liabilities	-20,573,032	-70,537,123
Net cash flow from/used in operating activity	**-7,292,283**	**13,543,647**
B. INVESTING ACTIVITY		
2. CASH FLOW USED IN	**-288,411**	**-261,479**
- purchase of tangible assets	-172,486	-189,030
- purchase of intangible assets	-115,925	-72,449
- purchase of business units	0	0
Net cash flow from/used in investment activity	**-288,411**	**-261,479**
C. FUNDING ACTIVITY		
- issue/purchase of treasury shares	0	0
- issue/purchase of equities		
- distribution of dividends and other purposes	-4,080,000	-4,080,000
Net cash flow from/used in funding activities	**-4,080,000**	**-4,080,000**
NET CASH FLOW GENERATED/USED	**-11,660,694**	**9,202,168**

RECONCILIATION

	Amount	
	12/31/2012	12/31/2011
Cash and cash equivalents at beginning of the period	**19,666,880**	**10,464,712**
Total net cash flow generated/used	-11,660,694	9,202,168
Cash and cash equivalents at the end of the period	**8,006,186**	**19,666,880**

EXPLANATORY NOTE TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

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, 2012 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 13, 2013, 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 assignment 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.

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 90 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. On January 27, 2012 an update was issued through an OPERATING NOTE.

Moreover, as of January 1, 2012, the company ratified conclusion of every exception to so-called “impaired past due,” thus bringing the threshold to 90 days.

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.

During the year, the company reviewed the methods for determining expected recovery times for "impaired" and "doubtful" positions; in particular, if there is no indication of the exact recovery date by managers of the positions, recovery times, consistent with the time frames adopted by the parent company, were estimated at 4 years for impaired positions and 3 years for doubtful positions. In this regard, refer to section 8.1 of the income statement in the Explanatory Note.

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 continuing 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.

In consideration of the advance adoption of the new version of IAS principle 19, "Benefits for employees," actuarial gains and losses are recognized directly with a balancing 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 a balancing 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)	12/31/2012	12/31/2011
a) Cash	5,400	6,494
b) Deposit accounts with Central Banks	-	-
Total	**5,400**	**6,494**

Section 6 *Receivables – Item 60*

6.1 – Receivables from banks

(units of euros)	12/31/2012	12/31/2011
1. Deposits and current accounts	**8,000,786**	**19,660,386**
2. Loans	**-**	**257,418**
2.1 Repurchase agreements	-	-
2.2 Financial leases	-	-
2.3 Factoring	-	257,418
- with recourse	-	-
- without recourse	-	257,418
2.4 Other loans	-	-
3. Debt securities	**12,463**	**64,640**
- debt instruments	-	-
- other debt instruments	12,463	64,640
4. Other assets	**21,436,415**	**16,226,698**
Total (book value)	**29,449,664**	**36,209,142**
Total (fair value)	**29,449,664**	**36,209,142**

The fair value of receivables from banks is assumed to be book value, as these are on demand short term financial assets. Debt instruments are reported at cost, rectified by accruals, as it is not possible to reliably measure their fair value.

The amount of Euro 8,000,786, the item “deposits and current accounts," represents occasional and temporary funds at credit institutions, which are primarily due to large collections received at the end of the period.

Item 3 "Debt securities," includes Euro 12,070 for the security “Italfondiario (now Centrobanca) series A.06 – 3.25% 01/01/1999-01/01/2013” and, for the same security, Euro 393 for coupons in maturity.

Item 4 “Other assets” is made up of:

- Euro 11,813 for receivables from Foreign Correspondents;
- Euro 663,332 for receivables from Banca Italease S.p.A for the amount required for requests for repayment regarding the deductibility of IRAP from IRES for personnel expenses, since during previous years Factorit was part of the Group tax consolidation for that company;
- Euro 20,761,270 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

	12/31/2012			12/31/2011		
	Performing	Impaired		Performing	Impaired	
(units of euros)		Purchased	Other		Purchased	Other
1.Loans						
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Financial leases	-	-	-	-	-	-
1.3 Factoring						
- with recourse	36,622,336	-	-	8,979,892	-	-
- without recourse	-	-	-	-	-	-
1.4 Other loans	97,573,508	-	-	3,703,996	-	-
2. Debt instruments						
- structured securities	-	-	-	-	-	-
- other debt instruments	-	-	-	-	-	-
3. Other assets	**84,818**	**-**	**-**	**413,867**	**-**	**-**
Total (book value)	**134,280,662**	**-**	**-**	**13,097,755**	**-**	**-**
Total (fair value)	**134,280,662**	**-**	**-**	**13,097,755**	**-**	**-**

The fair value of receivables due from financial institutions is assumed to be the book value given that these are short-term financial assets on demand, net of adjustments.
Point 1.4 "Other loans" includes advances for sales of receivables which do not fall within the purview of Law 52/91 solely for performing transactions.

Item 3, “Other assets” includes:
- Euro 24,994 for invoices to be issued to financial institutions for pooled operations where Factorit assumed the role of non-leading participant;
- Euro 11,646 for receivables from foreign correspondents;
- Euro 48,178 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.

6.3 – Due from customers

	12/31/2012			12/31/2011		
(units of euros)	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1 Financial leases	**-**	**-**	**-**	**-**	**-**	**-**
of which: without final purchase option	-	-	-	-	-	-
2 Factoring	**1,726,416,158**	**-**	**60,153,520**	**1,536,858,704**	**-**	**44,230,093**
- with recourse	1,598,499,418	-	48,390,404	1,460,446,378	-	28,462,015
- without recourse	127,916,740	-	11,763,116	76,412,326	-	15,768,078
3 Consumer credit	**-**	**-**	**-**	**-**	**-**	**-**
4 Credit cards	**-**	**-**	**-**	**-**	**-**	**-**
5 Other loans	**57,718,628**	**-**	**3,526,530**	**24,356,368**	**-**	**2,128,951**
of which: enforcement of guar antees and commitments	-	-	-	-	-	-
6 Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-
- other debt instruments	-	-	-	-	-	-
7 Other assets	**8,601**	**-**	**-**	**29,418**	**-**	**-**
Total (book value)	**1,784,143,387**	**-**	**63,680,050**	**1,561,244,490**	**-**	**46,359,044**
Total (fair value)	**1,784,143,387**	**-**	**63,680,050**	**1,561,244,490**	**-**	**46,359,044**

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

Impaired assets are recognized at their presumed collection values.

"Other loans" includes:

- Loans for Euro 41,714,162;
- Charges payable by transferred debtors on payment extensions granted to them for Euro 1,083,025 for performing transactions and Euro 186,507 for impaired transactions;
- Advances for sales of receivables which do not fall within the purview of Law 52/91, which came to Euro 14,899,467 for performing transactions and Euro 3,340,022 for impaired transactions of which Euro 114,411 are non-performing and Euro 3,225,612 are doubtful;
- Postal current accounts for Euro 21,974.

6.4 – Receivables: secured assets

	12/31/2012						12/31/2011					
	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:	**-**	**-**	**35,903,711**	**18,618,201**	**1,576,337,107**	**1,575,009,170**	**-**	**-**	**8,934,686**	**8,934,686**	**1,446,513,544**	**1,444,129,892**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	35,903,711	18,618,201	1,572,070,735	1,570,742,798	-	-	8,934,686	8,934,686	1,428,506,946	1,426,123,294
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	4,266,372	4,266,372	-	-	-	-	18,006,598	18,006,598
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets secured by:	**-**	**-**	**-**	**-**	**47,468,309**	**47,259,224**	**-**	**-**	**-**	**-**	**28,579,959**	**28,364,842**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	45,208,699	44,999,614	-	-	-	-	26,991,969	26,776,852
- Mortgages	-	-	-	-	1,598,296	1,598,296	-	-	-	-	1,052,294	1,052,294
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	661,314	661,314	-	-	-	-	535,696	535,696
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**35,903,711**	**18,618,201**	**1,623,805,416**	**1,622,268,394**	**-**	**-**	**8,934,686**	**8,934,686**	**1,475,093,503**	**1,472,494,734**

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 sales.”

The amounts are classified by type of guarantee and by business segment of the party guaranteed. In the case of guarantees with value that exceeds the amount of the asset guaranteed, the column “guarantee value” indicates the value of the asset secured.

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 assignment 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”

	12/31/2012		12/31/2011	
(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	**384,319**		**320,936**	
a) land	-		-	
b) buildings	-		-	
c) furniture	118,087		70,908	
d) capital equipments	9,635		7,900	
e) other	256,597		242,128	
2. Acquired through finance lease	**-**		**-**	**-**
a) land	-		-	-
b) buildings	-		-	-
c) furniture	-		-	-
d) capital equipments	-		-	-
e) other	-		-	-
Total 1	**384,319**		**320,936**	
2) Assets related to finance 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)	**384,319**		**320,936**	

10.2 Tangible assets: annual changes

(units of euros)	Land	Buildings	Furniture	Capital goods	Other	Total
A) Opening balance	-	-	70,908	7,900	242,128	320,936
B) Increases	**-**	**-**	**69,283**	**4,065**	**99,138**	**172,486**
B.1 Purchases	-	-	69,283	4,065	99,138	172,486
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	**-**	**-**	**22,104**	**2,330**	**84,669**	**109,103**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	22,104	2,330	84,669	109,103
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	-	-	118,087	9,635	256,597	384,319

Section 11 *Intangible assets – Item 110*

11.1 Composition of item 110 "Intangible assets"

(units of euros)	12/31/2012		12/31/2011	
	Assets valued at cost	Assets valued at FV	Assets valued at cost	Assets valued at FV
1 Goodwill	**1,111,626**		**1,111,626**	
2 Other intangible assets				
2.1 Owned by the company				
- internally generated	-	-	-	-
- other	144,409	-	79,461	-
2.2 Acquired under finance lease agreements	-	-	-	-
Total 2	**144,409**	**-**	**79,461**	**-**
3 Assets related to finance lease agreements				
3.1 Unopted assets	-	-	-	-
3.2 Goods withdrawn after terminations	-	-	-	-
3.3 Other assets	-	-	-	-
Total 3	**-**	**-**	**-**	**-**
4 Assets granted through operating leases	**-**	**-**	**-**	**-**
Total (1+2+3+4)	**1,256,035**	**-**	**1,191,087**	**-**

The amount of Euro 1,256,035 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	**1,191,087**
B. Increases	**115,925**
B.1 Purchases	115,925
B.2 Value reinstatements	-
B.3 Positive changes in fair value	-
- shareholders' equity	-
- income statement	-
B.4 Other changes	-
C. Decreases	**50,977**
C.1 Sales	-
C.2 Amortization	50,977
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	**1,256,035**

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 12/31/2012	Total 12/31/2011
Current tax assets	9,706,588	10,955,498
Deferred tax assets (balancing entry in equity)	78,835	-
Deferred tax assets (balancing entry in income statement)	26,778,381	21,143,448
Total	**36,563,804**	**32,098,946**

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 12/31/2012	Total 12/31/2011
Current tax liabilities	15,597,799	7,369,749
Deferred tax liabilities (balancing entry in equity)	2,039,162	2,039,162
Deferred tax liabilities (balancing entry in income statement)	345,005	296,302
Total	**17,981,966**	**9,705,213**

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 taxes paid in advance (balancing entry in income statement)

(units of euros)	12/31/2012	12/31/2011
1. Opening balance	**21,143,448**	**20,375,583**
2. Increases	**7,708,547**	**4,582,505**
2.1 Advance taxes booked during the year	7,708,547	4,582,505
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reinstatements of value	-	-
d) other	7,708,547	4,582,505
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,073,614**	**3,814,640**
3.1 Advance taxes canceled during the year	2,073,614	3,814,640
a) reversals	2,073,614	2,510,191
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	**26,778,381**	**21,143,448**

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 taxes canceled during the year (3) refer to deferred taxes 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.

12.3.1 Changes in taxes paid in advance pursuant to Law 214/2011 (balancing entry in income statement)

(units of euros)	12/31/2012	12/31/2011
1. Opening balance	**19,312,490**	**16,202,484**
2. Increases	**6,474,115**	**4,069,015**
3. Decreases	**1,185,065**	**959,009**
3.1 Reversals	1,185,065	959,009
3.2 Transformation into tax credits		
a) deriving from losses for the year		
b) deriving from tax losses		
3.3 Other decreases		
4. Final amount	**24,601,540**	**19,312,490**

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

(units of euros)	12/31/2012	12/31/2011
1. Opening balance	**296,302**	**28,495**
2. Increases	**48,703**	**267,807**
2.1 Deferred taxes reported during the year	48,703	267,807
a) for previous years	-	218,326
b) due to changes in accounting criteria	-	-
c) other	48,703	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	**345,005**	**296,302**

12.5 Changes in taxes paid in advance (balancing entry in equity)

(units of euros)	12/31/2012	12/31/2011
1. Opening balance	**-**	**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	78,835	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**196,154**
3.1 Deferred taxes canceled 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	**78,835**	**-**

12.6 Change in deferred taxes (balancing entry in equity)

(units of euros)	12/31/2012	12/31/2011
1. Opening balance	**2,039,162**	**2,039,162**
2. Increases	**-**	**-**
2.1 Deferred taxes reported during the year	-	-
a) for previous years	-	-
b) due to change in accounting criteria	-	-
c) other	-	-
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) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reduction of tax rates	-	-
3.3 Other decreases	-	-
(of which due to business combinations)	-	-
4. Final amount	**2,039,162**	**2,039,162**

Section 14 *Other assets – Item 140*

14.1 Composition of item 140 "Other assets"

(units of euros)	12/31/2012	12/31/2011
Tax credits (not classifiable as tax assets)	564,999	534,404
Items in progress	1,031,840	89,928
Advances to suppliers	3,076	48,358
Pre-payments and accrued income not recognized under specific item	821,601	564,151
Other items	973,979	1,781,572
Total	**3,395,495**	**3,018,413**

The item "Tax Credits" includes the amount of Euro 309,737 for virtual stamp duty, of which Euro 203,388 related to the advance for the year 2012 paid on November 30, 2011 and Euro 106,349 for the advance for 2013 paid on April 13, 2012.
This item also includes Euro 219,100 for the request for refund due to the deductibility of IRAP from IRES for personnel expenses for the years 2010 and 2011.

In "Other items," Euro 737,391 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)	12/31/2012			12/31/2011		
	Due to banks	Due to financial institutions	Due to customers	Due to banks	Due to financial institutions	Due to customers
1. Financing	**1,814,072,390**	**-**	**-**	**1,452,218,894**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	1,814,072,390	-	-	1,452,218,894	-	-
2. Other payables	**7,427,083**	**381,423**	**782,471**	**15,325,739**	**157,451**	**666,828**
Total	**1,821,499,473**	**381,423**	**782,471**	**1,467,544,633**	**157,451**	**666,828**
Fair Value	**1,821,499,473**	**381,423**	**782,471**	**1,467,544,633**	**157,451**	**666,828**

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	16,989,116
Advances subject to collection on cash orders or direct debits	53,562,933
Expiring short-term overdraft facility	55,000,000
Commissions to book	2,506,419
Supplier invoices and supplier invoices to be received	1,769,942
Payables to parent company	1,689,609,133
Accrued liabilities on short-term overdraft facilities	81,782
Payables to principals	1,980,148
Total	**1,821,499,473**

The item “Other payables” to financial institutions refers entirely to invoices received and to be received for pooling operations.
The item “Other payables” to customers is comprised exclusively of payables for factoring with reference to receivables from debtors sold 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)	12/31/2012	12/31/2011
Tax payables for amounts to be paid	590,887	574,584
Payables due to personnel	209,019	269,619
Payables due to social security institutions	605,547	582,545
Suppliers	955,236	670,302
Other credits in progress	12,857,961	28,615,439
Provision for guarantees and commitments	2,387,391	1,528,647
Invoices to be received	1,121,450	1,497,561
Other items	8,525,882	7,748,600
Total	**27,253,373**	**41,487,297**

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

- Euro 8,122,070 for direct remittances received but not yet charged to the pertinent items;
- Euro 4,735,891 for bills yet to be credited.

The item "Other items" is comprised as follows:

- Euro 5,462,200 for temporary debit balances to customers;
- Euro 3,063,682 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)	12/31/2012	12/31/2011
A. Opening balance	**1,948,599**	**1,928,935**
B. Increases	**422,198**	**121,793**
B.1 Allocations for the year	135,524	121,793
B.2 Other increases	286,674	-
C. Decreases	**137,347**	**102,129**
C.1 Liquidations completed	84,370	92,686
C.2 Other decreases	52,977	9,443
D. Closing balance	**2,233,450**	**1,948,599**

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.
The actuarial calculation makes the following assumptions:

	12/31/2012	12/31/2011
Technical discount rate	2.70%	4.75%
Annual inflation rate	2.00%	2.00%
Annual increase in termination indemnities	3.00%	3.00%

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

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

(units of euros)	12/31/2012	12/31/2011
1. Company retirement funds	-	-
2. Other provisions for risks and charges	5,528,393	5,129,380
2.1 Legal disputes	4,288,000	4,019,946
2.2 Personnel charges	1,240,393	1,109,434
2.3 Other	-	-
Total	**5,528,393**	**5,129,380**

The item "Legal disputes" comprises:

- Revocatory actions Euro 770,000;
- Lawsuits against the company Euro 3,518,000.

The item "Personnel charges" comprises:

- Early retirement fund Euro 289,394;
- Personnel training Euro 130,573;
- Other personnel expenses Euro 820,426.

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

(units of euros)	Retirement funds	Other provisions	12/31/2012
A. Opening balance	**-**	**5,129,380**	**5,129,380**
B. Increases	**-**	**-**	**-**
B.1 Allocations for the year	-	3,004,628	3,004,628
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to fluctuations in discount rate	-	-	-
B.4 Other changes	-	-	-
C. Decreases	**-**	**2,605,615**	**2,605,615**
C.1 Utilization during the year	-	1,188,527	1,188,527
C.2 Changes due to fluctuations in discount rate	-	-	-
C.3 Other changes	-	1,417,088	1,417,088
D. Closing balance	**-**	**5,528,393**	**5,528,393**

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

12.1 Composition of item 120 "Share capital"

Categories	12/31/2012
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 12/31/2012 and 12/31/2011 Factorit S.p.A. held no treasury shares.

12.3 Composition of item 140 “Equities”

As of 12/31/2012 and 12/31/2011 Factorit S.p.A. did not increase the value of the item equities.

12.4 Composition of item 150 “Share premium reserves”

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

12.5 Other information

Availability and distributability of shareholders’ equity items.

Category of utilization	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	6,848,101	B	-	-	-
Share premium reserve	11,030,364	A-B	11,030,364	-	-
Other reserves	59,558,450	A-B-C	59,558,450	-	-
Net income carried forward	182,151	A-B-C	182,151	-	-
Total	**162,619,068**		**70,770,965**	**-**	**-**
Non-distributable amount	**-**	**-**	**11,030,364**	**-**	**-**
Residual distributable amount	**-**	**-**	**59,740,601**	**-**	**-**

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 5,350,212.

12.6 Composition of item 170 “Valuation reserves”

Valuation reserves come to Euro -136,284 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	12/31/2012	12/31/2011
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets designed at fair value through profit or loss	-	-	-	-	-
3. Financial assets available for sale	-		-	-	-
4. Financial assets held to maturity	-	-	-	-	-
5. Receivables					
5.1 Receivables due from banks	392	56,199	-	56,591	86,183
5.2 Receivables due from financial institutions	-	2,499,835	-	2,499,835	648,888
5.3 Receivables due from customers	-	60,316,007	7,456	60,323,463	46,951,778
6. Other assets			-	-	-
7. Hedging derivatives			-	-	-
Total	**392**	**62,872,041**	**7,456**	**62,879,889**	**47,686,849**

1.2 Interest receivable and comparable proceeds: other information

Interest receivable on financial assets for receivables due from customers come to Euro 1,041,803 (Euro 745,145 in 2011).

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

(units of euros)	Payables	Securities	Other operations	12/31/2012	12/31/2011
1. Payables due to banks	(22,445,799)		-	(22,445,799)	(22,668,613)
2. Payables due to financial institutions	-		-	-	-
3. Payables due to customers	-		-	-	-
4. Securities issued		-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities valued at fair value	-	-	-	-	-
7. Other liabilities			(39,540)	(39,540)	-
8. Hedging derivatives			-	-	-
Total	**(22,445,799)**	**-**	**(39,540)**	**(22,485,339)**	**(22,668,613)**

Section 2 *Commissions – Items 30 and 40*

2.1 Composition of item 30 "Commissions income"

(units of euros)	12/31/2012	12/31/2011
1. Finance lease transactions	**-**	**-**
2. Factoring transactions	**36,962,760**	**35,037,748**
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	**1,965,132**	**1,345,310**
Total	**36,927,892**	**38,383,058**

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.).

2.2 Composition of item 40 "commissions expense"

(units of euros)	12/31/2012	12/31/2011
1. Guarantees received	**(165,645)**	
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	**(6,120,087)**	**(5,891,692)**
4.1 Leasing operations		
4.2 Factoring operations	(4,150,989)	(3,467,668)
4.3 Other	(1,969,098)	(2,424,024)
Total	**(6,285,732)**	**(5,891,692)**

Section 4 *Net Result from Trading – Item 60*

4.1 Composition of item 60 "Net result from trading"

The item shows Euro 313,573 in point 3 "Other financial assets and liabilities: foreign exchange difference."

The result is primarily due to a single currency transaction performed with the counterparty Fiat Group.

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		12/31/2012	12/31/2011
	Specific	Portfolio	Specific	Portfolio		
1. Receivables due from banks	**-**	**-**	**-**	**-**	**-**	**-**
- for leasing	-	-	-	-	-	-
- for factoring	-	-	-	-	-	-
- other receivables	-	-	-	-	-	-
2. Receivables due from financial institutions	**-**	**(175,039)**	**-**	**-**	**(175,039)**	**-**
- for leasing	-	-	-	-	-	-
- for factoring	-	(175,039)	-	-	(175,039)	-
- other receivables	-	-	-	-	-	-
3. Receivables due from customers	**(30,661,789)**	**(903,694)**	**2,637,436**	**1,026,394**	**(27,901,653)**	**(18,943,665)**
- for leasing	-	-	-	-	-	-
- for factoring	(28,307,769)	(892,871)	2,158,036	-	(27,042,604)	(19,116,146)
- other receivables	(2,354,020)	(10,823)	479,400	1,026,394	(859,049)	172,481
Total	**(30,661,789)**	**(1,078,733)**	**2,637,436**	**1,026,394**	**(28,076,692)**	**(18,943,665)**

As already reported in the accounting principles, the item includes the effect of the change in recovery times for non-performing and doubtful positions for approximately Euro 2,050 thousand.

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 12/31/2012	Total 12/31/2011
	Specific	Portfolio	Specific	Portfolio		
A. Guarantees issued	(1,484,212)	-	625,468	-	(858,744)	1,594,237
B. Derivatives on receivables	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-
D. Other operations	-	-	-	-	-	-
E. Total	**(1,484,212)**	**-**	**625,468**	**-**	**(858,744)**	**1,594,237**

Section 9 *Administrative Expenses – Item 110*

9.1 Composition of item 110.a "Personnel expenses"

(units of euros)	12/31/2012	12/31/2011
1. Employees	**(11,133,601)**	**(10,968,631)**
a) Wages and salaries	(7,719,169)	(7,701,500)
b) Social charges	(2,263,189)	(2,165,659)
c) Severance pay	-	-
d) Social security expenses	-	-
e) Allocation to employee severance pay	(135,526)	(90,660)
f) Allocation to provisions for retirement pay and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) Payments to external pension funds:	(630,661)	(684,943)
- defined contribution	(630,661)	(684,943)
- defined benefits	-	-
h) Other expenses	(385,056)	(325,869)
2. Other personnel in service	**(101,718)**	**(57,799)**
3. Directors and statutory auditors	**(282,457)**	**(295,899)**
4. Retired personnel	**-**	**(62,741)**
5. Recovery of expenses for employees seconded to other companies	**50,256**	**-**
6. Reimbursements of expenses for third party employees seconded to the company	**(78,350)**	**(424,036)**
Total	**(11,545,870)**	**(11,809,106)**

9.2 Average number of employees by category

STAFF	12/31/2012		12/31/2011	
	average	year end	average	year end
Employees	**154**	**160**	**145**	**152**
a) executives	4	4	3	4
b) total mid-level managers	64	64	64	65
of which levels 3 and 4	39	38	40	40
c) remaining employees	86	92	78	83
Other personnel	**11**	**13**	**1**	

The average of total employees does not include any weighting, in particular of part-time contracts (17 units).

9.3 Composition of item 110.b “Other administrative expenses”

(units of euros)	12/31/2012	12/31/2011
a) expenses related to real property:	(1,182,324)	(1,181,237)
- rents and building maintenance	(1,142,848)	(1,156,445)
- energy, water and heating	(39,476)	(24,792)
b) indirect duties and taxes	(2,018,726)	(2,478,764)
c) postal, telephone, printing and other office expenses	(491,807)	(563,566)
d) maintenance and charges for furniture, equipment and systems	(480,680)	(424,847)
e) professional services and consulting	(312,450)	(918,046)
f) legal expenses	(3,125,281)	(3,059,633)
h) advertising, entertainment and gifts	(130,061)	(52,261)
i) insurance premiums	(112,870)	(86,159)
m) transport, rentals and travel	(474,579)	(409,956)
n) outsourced activities	(1,101,959)	(730,328)
o) other costs and sundry expenses	(888,002)	(977,986)
Total	**(10,318,739)**	**(10,882,783)**

The sub-item "Insurance premiums" includes the premium of Euro 46,466 for the “Civil liability policy for Directors, Auditors, the Managing Director and other top management” for risk coverage.

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

10.1 Composition of item 120 “Net value adjustments on 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	(109,103)		-	(109,103)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(22,104)	-	-	(22,104)
d) capital equipment	(2,330)	-	-	(2,330)
e) other	(84,669)	-	-	(84,669)
1.2 Acquired under financial leasing agreements	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital equipment	-	-	-	-
e) other	-	-	-	-
2.Assets related to financial leasing agreements	-	-	-	-
3. Assets held for investment purposes	-	-	-	-
Total	**(109,103)**	-	-	**(109,103)**

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

11.1 Composition of item 130 "Net value adjustments on 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	**(50,977)**	**-**	**-**	**(50,977)**
2.1 owned by the company	(50,977)	-	-	(50,977)
2.2 acquired through financial leasing agreements	-	-	-	-
3. Assets related to financial leasing agreements	-	-	-	-
4. Assets granted with operating leases				
Total	**(50,977)**	**-**	**-**	**(50,977)**

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	12/31/2012	12/31/2011
1. Allocations to retirement fund				
2. Allocations to other funds for risks and charges:	(2,310,618)	1,417,088	(893,530)	24,677
a) legal disputes	(2,310,618)	1,417,088	(893,530)	24,677
b) charges for personnel				
c) other				
Total	**(2,310,618)**	**1,417,088**	**(893,530)**	**24,677**

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

14.1 Composition of item 160 "Other operating income"

(units of euros)	12/31/2012	12/31/2011
b) tax recovery	189,183	183,508
c) expense recovery	1,401,819	1,491,482
d) proceeds for IT services rendered	814,803	790,232
f) other	955,907	1,838,884
Total	**3,361,712**	**4,304,106**

The sub-item "Other" includes Euro 441,884 in revenues for activities connected to factoring and other assignments.

14.2 Composition of item 160 "Other operating expenses"

(units of euros)	12/31/2012	12/31/2011
b) other	(253,628)	(1,734,241)
Total	**(253,628)**	**(1,734,241)**

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

(units of euros)	12/31/2012	12/31/2011
A. Real estate	**-**	**-**
- Net income from sales	-	-
- Losses from sales	-	-
B. Other assets	**-**	**2,700**
- Net income from sales	-	2,700
- Losses from sales	-	-
Net result	**-**	**2,700**

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

For fiscal year 2012 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.

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	12/31/2012	12/31/2011
1. Current taxes (-)	(15,869,284)	(9,971,966)
2. Change in current taxes from previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)	557,541	-
4. Variation in taxes paid in advance (+/-)	5,634,933	1,867,599
5. Variation in deferred taxes (+/-)	(48,703)	(49,481)
6. Income tax for the year (-) (-1+/-2+3/-4+/-5)	(9,725,513)	(8,153,848)

The item "change in current taxes from previous years" refers to the request for refund for tax years 2007 to 2011, regarding the deductibility of IRAP from IRES for personnel expenses.

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

COMPANY INCOME TAXES	Taxable	Tax
Theoretical tax charge	24,604,712	6,766,296
Tax credit		
Permanent increases	1,321,386	363,381
Permanent decreases	(915,920)	(251,878)
Temporary increases	28,151,016	7,741,529
Temporary decreases	(7,706,646)	(2,119,328)
Effective tax charge	**45,454,548**	**12,500,000**

IRAP	Taxable	Tax
Theoretical tax charge	24,604,712	1,370,482
Tax credit		
Permanent increases	43,307,648	2,412,237
Permanent decreases	(7,289,927)	(406,049)
Temporary increases		
Temporary decreases	(132,596)	(7,386)
Effective tax charge	**60,489,837**	**3,369,284**
Total effective tax charge		**(15,869,284)**

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

(units of euros)	Interest income			Commission income			12/31/2012	12/31/2011
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Financial leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital equipment	-	-	-	-	-	-	-	-
- tangible assets	-	-	-	-	-	-	-	-
2. Factoring	**-**	**2,499,835**	**60,323,463**	**40,571**	**1,159,506**	**37,727,815**	**101,751,190**	**83,983,724**
- on current receivables	-	611,098	50,620,871	-	167,710	36,648,952	88,048,631	70,758,205
- on future receivables	-	-	992,474	-	-	146,098	1,138,572	1,131,432
- on receivables purchased on a permanent basis	-	-	-	-	-	-	-	-
- on receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- for other financing	-	1,888,737	8,710,118	40,571	991,796	932,765	12,563,987	12,094,087
3. Consumer credit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**-**	**2,499,835-**	**60,323,463**	**40,571**	**1,159,506**	**37,727,81**	**101,751,190-**	**83,983,724**

19.2 Other information

Analytical composition of interest payable and similar expense.

Technical form	Amount
Current account overdrafts	(14,954,156)
Advances subject to collection	(250,794)
Short-term overdrafts	(6,386,433)
Advances in foreign currencies	(854,416)
Other interest payable	(39,540)
Total	**(22,485,339)**

PART D *Other information*

Section 1 *Details on activities*

B. FACTORING AND ASSIGNMENT OF RECEIVABLES

B. 1 Gross value and book values

B.1.1 Factoring operations

(units of euros)	12/31/2012			12/31/2011		
	Gross value	Adjustments of value	Total	Gross value	Adjustments of value	Total
1. Performing assets	**1,774,319,103**	**11,280,609**	**1,763,038,494**	**1,554,136,210**	**8,040,196**	**1,546,096,014**
- exposures to assignors (with recourse)	1,645,531,495	10,409,741	1,635,121,754	1,476,878,146	7,451,876	1,469,426,270
- assignments of future receivables	25,506,409	56,096	25,450,313	30,619,222	129,281	30,489,941
- other	1,620,025,086	10,353,645	1,609,671,441	1,446,258,924	7,322,595	1,438,936,329
- exposures to assigned debtors (without recourse)	128,787,608	870,868	127,916,740	77,258,064	588,320	76,669,744
2. Impaired assets	**125,864,038**	**65,710,518**	**60,153,520**	**99,579,602**	**55,349,509**	**44,230,093**
2.1 Non-performing	52,469,283	46,063,532	6,405,751	51,556,988	42,676,648	8,880,340
- exposures to assignors (with recourse)	46,208,036	39,802,285	6,405,751	45,892,862	37,012,522	8,880,340
- assignments of future receivables	1,269,147	1,127,586	141,561	1,387,093	1,244,737	142,356
- other	44,938,889	38,674,699	6,264,190	44,505,769	35,767,785	8,737,984
- exposures to assigned debtors (without recourse)	6,261,247	6,261,247	-	5,664,126	5,664,126	-
- acquired for less than nominal value	-	-	-	-	-	-
- other	6,261,247	6,261,247	-	5,664,126	5,664,126	-
2.2 Watchlist	57,710,061	19,014,935	38,695,126	29,788,026	11,666,986	18,121,040
- exposures to assignors (with recourse)	42,837,488	15,785,650	27,051,838	22,616,873	8,227,739	14,389,134
- assignments of future receivables	140,124	57,274	82,850	130,697	56,337	74,360
- other	42,697,364	15,728,376	26,968,988	22,486,176	8,171,402	14,314,774
- exposures to assigned debtors (without recourse)	14,872,573	3,229,285	11,643,288	7,171,153	3,439,247	3,731,906
- acquisitions at less than nominal value	-	-	-	-	-	-
- other	14,872,573	3,229,285	11,643,288	7,171,153	3,439,247	3,731,906
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	15,684,694	632,051	15,052,643	18,234,588	1,005,875	17,228,713
- exposures to assignors (with recourse)	15,551,316	618,501	14,932,815	5,534,329	341,788	5,192,541
- assignments of future receivables	-	-	-	-	-	-
- other	15,551,316	618,501	14,932,815	5,534,329	341,788	5,192,541
- exposures to assigned debtors (without recourse)	133,378	13,550	119,828	12,700,259	664,087	12,036,172
- acquired at less than nominal value	-	-	-	-	-	-
- other	133,378	13,550	119,828	12,700,259	664,087	12,036,172
Total	**1,900,183,141**	**76,991,127**	**1,823,192,014**	**1,653,715,812**	**63,389,705**	**1,590,326,107**

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: assignor and assigned debtor.

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

It is also specified that the table does not include advances for assignment of receivables which do not fall within the purview of Law 52/91. On 12/31/2012, these sales came to Euro 112,472,974 for performing assets and Euro 3,340,022 for impaired assets.

B.2 Breakdown by residual life

Data for 2011 were reconstructed for purposes of a uniform comparison, taking into account the changed criterion for classifying overdue receivables based on the invoice due date, which were previously classified under indefinite duration. These receivables, if not impaired, are classified under "on demand," if impaired they are classified based on the estimated due date for financial statement valuations.

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

(units of euros)	12/31/2012		12/31/2011	
	Advances	**Total receivables**	**Advances**	**Total receivables**
- on demand	233,062,882	639,209,019	284,675,402	904,050,979
- up to 3 months	1,217,916,386	1,793,292,371	961,243,102	1,377,695,354
- 3 months to 6 months	120,008,550	236,752,435	178,442,405	435,681,472
- over 6 months to 1 year	77,808,056	51,190,438	51,476,422	120,481,103
- over 1 year	34,716,284	18,336,113	22,050,954	24,193,124
- indefinite duration	-	-	-	-
Total	**1,683,512,158**	**2,738,780,376**	**1,497,888,285**	**2,862,102,032**

The table provides details for the figures indicated in Table B.1 above, with regard solely to receivables claimed from assignors, and does not include operations which do not fall within the purview of Law 52/91.

The breakdown of advances with recourse was agreed to be in proportion to the due dates for the relative total receivables.

At the same time, we note that total receivables for sales of receivables performed outside the purview of Law 52/91 came to Euro 188,680,761 at December 31, 2012.

B.2.2 – Factoring operations without recourse - exposures

(units of euros)	**Exposures**	
	12/31/2012	12/31/2011
- on demand	13,584,990	8,671,034
- up to 3 months	50,040,900	44,048,466
- 3 months to 6 months	64,330,646	11,673,626
- 6 months to 1 year	444,392	28,002,639
- over 1 year	11,278,928	42,057
- indefinite duration	-	-
Total	**139,679,856**	**92,437,822**

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

B.3 – Dynamics of adjustments in value

B.3.1 Factoring operations

This table includes changes in adjustments of value (specific and portfolio) for exposures to assignors and debtors assigned during the year, as well as the value of said adjustments at the start and end of the year (respectively, initial and final adjustments in values). Value adjustments, calculated on exposures classified as impaired, are always indicated as specific adjustments of value, as set out by law.

Financial assets were derecognized pursuant to credit estinguishing events.

		Increases				Decreases					
(thousands of euros)	Adjustments in initial value	Adjustments in value	Losses from sale	Transfer from other status	Other increases	Reinstatements in value	Profits from sale	Transfer to other status	Cancellations	Other decreases	Final adjustments in value
Details on impairment activity	**55,349,509**	**28,307,769**	**-**	**6,303,470**	**-**	**2,158,036**	**-**	**8,486,553**	**13,605,641**	**-**	**65,710,518**
Exposure to assignors	**45,582,049**	**20,016,683**	**-**	**3,208,394**	**-**	**1,150,193**	**-**	**5,113,570**	**6,336,927**	**-**	**56,206,436**
- Non performing	37,012,522	7,608,262	-	2,442,576	-	728,478	-	1,555,104	4,977,493	-	39,802,285
- Doubtful	8,227,739	11,912,846	-	592,611	-	371,434	-	3,216,678	1,359,434	-	15,785,650
- Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
- Past due exposures	341,788	495,575	-	173,207	-	50,281	-	341,788	-	-	618,501
Exposures to assigned debtors	**9,767,460**	**8,291,086**	**-**	**3,095,076**	**-**	**1,007,843**	**-**	**3,372,983**	**7,268,714**	**-**	**9,504,082**
- Non-performing	5,664,126	6,045,784	-	2,422,335	-	863,736	-	88,961	6,918,301	-	6,261,247
- Doubtful	3,439,247	2,232,788	-	671,705	-	144,107	-	2,619,935	350,413	-	3,229,285
- Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
- Past due exposures	664,087	12,514	-	1,036	-	-	-	664,087	-	-	13,550
Portfolio for other assets	**8,040,196**	**1,067,910**	**-**	**2,790,028**	**-**	**-**	**-**	**606,945**	**10,580**	**-**	**11,280,609**
- Exposures to assignors	7,451,876	1,063,269	-	2,511,085	-	-	-	605,909	10,580	-	10,409,741
- Exposures to debtors	588,320	4,641	-	278,943	-	-	-	1,036	-	-	870,868
Total	**63,389,705**	**29,375,679**	**-**	**9,093,498**	**-**	**2,158,036**	**-**	**9,093,498**	**13,616,221**	**-**	**76,991,127**

B.4 Other Information

B.4.1 Turnover of receivables subject to factoring operations

(units of euros)	12/31/2012	12/31/2011
Operations without recourse	212,435,968	284,359,404
- of which acquired for less than their nominal value	-	-
Operations with recourse	9,118,564,393	10,870,479,381
Total	**9,331,000,361**	**11,154,838,785**

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)	12/31/2012	12/31/2011
Without recourse		
With recourse	187,455,754	24,855,439
	187,455,754	**24,855,439**

B.4.2 Collection-only services

The Company did not perform collection-only services in 2012 and 2011.

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

(units of euros)	12/31/2012	12/31/2011
- Flow of future receivable purchase contracts during the year	253,956,487	720,906,229
- Amount of receivables at year end	410,079,425	852,136,713

D. Guarantees given and commitments

D.1 Value of guarantees given and commitments

(units of euros)	12/31/2012	12/31/2011
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	**346,572,701**	**424,590,717**
a) banks	-	7,186
i) for certain use	-	-
ii) for uncertain use	-	7,186
b) financial institutions	247,131	-
i) for certain use	-	-
ii) for uncertain use	247,131	-
c) customers	346,325,570	424,583,531
i) for certain use	5,971,225	5,134,328
ii) for uncertain use	340,354,345	419,449,203
4) Commitments underlying credit derivatives: sales of protection	**-**	**-**
5) Assets pledged as collateral for third party obligations	**-**	**-**
6) Other irrevocable commitments	**-**	**-**
Total	**346,572,701**	**424,590,717**

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 assignor’s name).

Euro 340,354,345 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*

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 debtors) 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 debtors) and the parties connected to such, quantifying the total potential risk related to the parties financed.

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

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

2. Credit risk management policies

2.1 Organizational aspects

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

The credit process is divided into the following phases:

- credit policy;
- evaluation of creditworthiness;
- disbursement of credit;
- review of credit lines and monitoring.

Credit policy

Factorit's credit policy, like that of the Parent Company, is focused on criteria of prudence and risk containment. This is reflected in a strict selection process for counterparties 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 debtors) and the level of financial risk deriving from any failure to repay the credit granted on the agreed due dates.

The credit process system is set up into logical phases that differ depending on the parties involved (assignors and assigned debtors) 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 assignors/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 assigned debtors, 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	-	-	-	-	29,449,664	29,449,664
6. Receivables due from financial institutions	-	-	-	-	134,280,662	134,280,662
7. Receivables due from customers	6,520,177	42,076,319	-	15,083,554	1,784,143,387	1,847,823,437
8. Hedging derivatives	-	-	-	-	-	-
12/31/2012	**6,520,177**	**42,076,319**	**-**	**15,083,554**	**1,947,873,713**	**2,011,553,763**
12/31/2011	**9,220,249**	**19,895,769**	**-**	**17,243,026**	**1,610,551,387**	**1,656,910,431**

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	133,057,156	69,377,106	-	63,680,050
a) Non-performing	54,626,150	48,105,973	-	6,520,177
b) Doubtful	62,675,252	20,598,933	-	42,076,319
c) Restructured exposures	-	-	-	-
d) Past due exposures	15,755,754	672,200	-	15,083,554
Off-balance sheet exposures	8,358,617	2,387,392	-	5,971,225
a) Non-performing	839,227	839,227	-	-
b) Doubtful	4,950,535	1,548,165	-	3,402,370
c) Restructured exposures	-	-	-	-
d) Past due exposures	2,568,855	-	-	2,568,855
Total A	**141,415,773**	**71,764,498**	**-**	**69,651,275**
B. Performing exposures				
- Past due exposures not impaired	158,964,963	-	1,525,672	157,439,291
- Other exposures	1,976,929,370	-	9,870,929	1,967,058,441
Total B	**2,135,894,333**	**-**	**11,396,601**	**2,124,497,732**
Total A+B	**2,277,310,106**	**71,764,498**	**11,396,601**	**2,194,149,007**

"Other exposures" are comprised of:

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- On-balance sheet exposures	1,636,575,025	-	9,870,929	1,626,704,096
- Off-balance sheet exposures	340,354,345	-	-	340,354,345
Total	**1,976,929,370**	**-**	**9,870,929**	**1,967,058,441**

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	126,916,037	-	1,141,310	125,774,727
- over 3 months to 6 months	26,360,216	-	321,732	26,038,484
- over 6 months to 1 year	3,982,111	-	52,143	3,929,968
- over 1 year	1,706,599	-	10,487	1,696,112
Total	**158,964,963**	**-**	**1,525,672**	**157,439,291**

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	4,012,311	-	25,498	3,986,813
- Other exposures	160,830,368	-	839,724	159,990,644
Total B	**164,842,679**	**-**	**865,222**	**163,977,457**
Total A+B	**164,842,679**	**-**	**865,222**	**163,977,457**

The item "Performing exposures – on balance sheet" includes the following maturity.

(units of euros)	Gross exposure	Specific value adjustments value	Portfolio value adjustments	Net exposure
- up to 3 months	218,515	-	1,283	217,232
- 3 months to 6 months	5,498	-	-	5,498
- over 6 months to 1 year	3,735,691	-	23,896	3,711,795
- over 1 year	52,607	-	319	52,288
Total	**4,012,311**	**-**	**25,498**	**3,986,813**

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		
	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	-	275,631	X	-	-	X	6,520,177	47,830,342	X	-	-	X
A.2 Doubtful	10,555,394	2,332,361	X	297,225	118,585	X	-	-	X	31,223,235	18,145,181	X	465	2,806	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due exposures	-	-	X	130,068	14,848	X	-	-	X	14,953,486	657,352	X	-	-	X
A.5 Other exposures	-	X	-	38,843	X	138	-	X	-	1,777,513,399	X	11,342,965	6,591,145	X	53,498
Total	**10,555,394**	**2,332,361**	**-**	**466,136**	**409,064**	**138**	**-**	**-**	**-**	**1,830,210,297**	**66,632,875**	**11,342,965**	**6,591,610**	**2,806**	**53,498**
B. Off-balance sheet exposures															
B.1 Non-performing	-	-	X	-	-	X	-	-	X	-	839,227	X	-	-	X
B.2 Doubtful	-	-	X	-	-	X	-	-	X	3,347,127	1,526,211	X	55,243	21,954	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	2,568,855	-	X	-	-	X
B.4 Other exposures	55,045,162	X	-	4,171,624	X	-	-	X	-	280,727,878	X	-	409,681	X	-
Total	**55,045,162**	**-**	**-**	**4,171,624**	**-**	**-**	**-**	**-**	**-**	**286,643,860**	**2,365,438**	**-**	**464,924**	**21,954**	**-**
Total 12/31/2012	**65,600,556**	**2,332,361**	**-**	**4,637,760**	**409,064**	**138**	**-**	**-**	**-**	**2,116,854,157**	**68,998,313**	**11,342,965**	**7,056,534**	**24,760**	**53,498**
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**

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	6,520,177	47,858,471	-	247,502						
A.2 Doubtful	42,043,414	20,342,896	32,905	256,037						
A.3 Restructured exposures										
A.4 Past due exposures	15,082,190	672,172	1,364	28						
A.5 Other exposures	1,585,792,918	10,610,231	169,052,832	584,097	13,657,340	94,347	15,639,225	107,920	1,072	6
Total A	**1,649,438,699**	**79,483,770**	**169,087,101**	**1,087,664**	**13,657,340**	**94,347**	**15,639,225**	**107,920**	**1,072**	**6**
B. Off-balance sheet exposures										
B.1 Non-performing		839,227								
B.2 Doubtful	3,377,380	1,543,755	24,990	4,410						
B.3 Other impaired assets	2,568,855									
B.4 Other exposures	325,479,084		14,558,558		156,066		9,498		151,139	
Total B	**331,425,319**	**2,382,982**	**14,583,548**	**4,410**	**156,066**		**9,498**		**151,139**	
Total 12/31/2012	**1,980,864,018**	**81,866,752**	**183,670,649**	**1,092,074**	**13,813,406**	**94,347**	**15,648,723**	**107,920**	**152,211**	**6**
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**	

In detail, net receivables from individuals residing in the Americas are broken down as follows:

- United States of America for Euro 5,143,650 (adjustments Euro 35,533) and Mexico for Euro 8,513,690 (adjustments Euro 58,814) for on-balance sheet exposures;
- United States of America for Euro 125,806 and Mexico for Euro 30,260 for off-balance sheet exposures.

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

12/31/2012	Northwest Italy		Northeast Italy		Central Italy		Southern Italy		Italy Islands	
Status of Receivable	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	1,389,435	10,699,934	919,134	5,529,915	1,919,303	15,073,619	2,145,998	15,335,068	146,307	1,219,935
Doubtful	15,957,714	7,555,944	3,634,605	899,489	17,399,966	3,818,783	3,727,329	3,091,445	1,323,800	4,977,235
Restructured exposures	-	-	-	-	-	-	-	-	-	-
Past due exposures	12,424,708	564,633	7,949	1,718	307,776	9,186	2,340,484	96,592	1,273	43
Other operations	850,726,923	5,269,641	287,384,530	1,920,341	304,213,792	2,247,132	52,073,394	643,695	91,394,279	529,422
Total	**880,498,780**	**24,090,152**	**291,946,218**	**8,351,463**	**323,840,837**	**21,148,720**	**60,287,205**	**19,166,800**	**92,865,659**	**6,726,635**

3.3 Significant risks

(figures in units of euros)	12/31/2012	12/31/2011
a) Amount	760,020,480	429,699,753
b) Number	22	12

In compliance with regulatory provisions, the table shows the total amount and the number of counterparties whose risk position was more than 10% of Guarantee Capital. Note that at December 31, 2011 this percentage was set at 15%.

Solely for purposes of providing comparable data, we note that using the 10% limit, at 12/31/2011 the number of significant risks would have been 18.

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 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 the 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 31/12/2012, no counterparties exceeded this limit, as the parent company issued bank guarantees to cover the gap in individual limit for the three 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.

A.2. Models and other methods for measuring and managing the interest rate risk.

With regard to interest-bearing assets and liabilities with interest payable, the result of a change in interest rates of +100 basis points within a period of twelve months on the future interest margin comes to Euro 1.7 million.
The future interest margin is the difference between future interest receivable on interest-bearing assets and future interest payable on liabilities with interest payable, calculated solely on transactions existing on the date of reference.

The effect of a change in interest rates of -100 basis points over a twelve month period on the future interest margin leads to a value of about Euro -0.9 million.

A.3. Other quantitative information on interest rate risk.

Simulating the effects of a sudden interest rate shock of 200bps up or down, the change in company assets would have less of an impact on the threshold of attention provided in the regulatory provisions (20% of Guarantee Capital).

1. Distribution by residual duration of financial assets and liabilities – denomination: EURO

	On demand	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	**479,604,875**	**1,388,092,777**	**64,786,882**	**5,804,090**	**15,518,738**			**3,370,739**
1.1 Debt securities	12,463							
1.2 Receivables	479,592,412	1,388,068,021	64,786,882	5,804,090	15,518,738			
1.3 Other assets		24,756						3,370,739
2. Liabilities	**1,147,122,573**	**616,486,537**	**4,153,082**					**24,530,755**
2.1 Payables	1,147,122,573	614,409,851	4,153,082					
2.2 Debt securities								
2.3 Other liabilities		2,076,686						24,530,755
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 Short positions								

2. Distribution for residual duration of financial assets and liabilities – Denomination: USD

	On demand	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	**518,472**	**50,229,923**	**95,293**	**25**				
1.1 Debt securities								
1.2 Receivables	518,472	50,229,923	95,293	25				
1.3 Other assets								
2. Liabilities	**4,874,617**	**43,905,831**	**1,713,191**					**325,329**
2.1 Payables	4,874,617	43,905,831	1,713,191					
2.2 Debt securities								
2.3 Other liabilities								325,329
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 Short positions								

3. Distribution for residual duration of financial assets and liabilities – Denomination: SEK

	On demand	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	**1,139,516**	**5,413,630**						
1.1 Debt securities								
1.2 Receivables	1,139,516	5,413,630						
1.3 Other assets								
2. Liabilities	**1,364,487**	**5,119,735**						**21**
2.1 Payables	1,364,487	5,119,735						
2.2 Debt securities								
2.3 Other liabilities								21
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 Short positions								

4. Distribution for residual duration of financial assets and liabilities – Denomination: OTHER

	On demand	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	**374,298**							
1.1 Debt securities								
1.2 Receivables	374,298							
1.3 Other assets								
2. Liabilities								**320,582**
2.1 Payables								
2.2 Debt securities								
2.3 Other liabilities								320,582
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 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, but 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	Currencies					
	US dollars	Pounds sterling	Yen	Swedish kronor	Canadian dollars	Other currencies
1. Financial assets	**50,843,713**	**72,855**	**238**	**6,553,146**		**301,204**
1.1 Debt securities						
1.2 Equities						
1.3 Receivables	50,843,713	72,855	238	6,553,146		301,204
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**50,493,639**			**6,484,223**		
3.1 Payables	50,493,639			6,484,223		
3.2 Debt securities						
3.3 Other financial liabilities						
4. Other liabilities	**325,329**	**19,637**	**238**	**21**		**300,707**
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	**50,843,713**	**72,855**	**238**	**6,553,146**		**301,204**
Total liabilities	**50,818,968**	**19,637**	**238**	**6,484,244**		**300,707**
Surplus/deficit (+/-)	**24,745**	**53,218**	**0**	**68,902**		**497**

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.
These methods make it possible to report the risk in two ways:

- The first reports it in terms of losses incurred, for which there is a structural collection of information on the loss events which occurred. It is fundamental to constantly control the quality of the data collected.
- The second aspect refers to the risk the Company could potentially incur; in this case, activities deemed to be potentially risky are subject to constant monitoring and evaluation.

The system of collecting and registering data is useful in performing benchmarking analyses with the Operating Loss database (OLDB), organized by ABI and designed to identify any areas for improvement in the organizational system.

Nevertheless, in 2004 the factoring sector also began an association initiative of constructing a consortium database of operating events and losses in factoring activities (Project GRIFO – Governance of operating risks in factoring), with the goal of developing skills and knowledge in terms of the operating risk of Members (which include Factorit).

The system of collecting data on operating risks is based on a web platform that acts as the operating instrument for managing risks, both at the company level, because it makes registration and continuous use possible (Factorit has the exclusive right to view its own data), and at the association level, due to the automatic transfer of data confirmed in the Assifact database for processing at the aggregate level.

In order to guarantee the uniformity and quality of the data collected, Factorit has an operating manual, a map of loss event types (with information and suggestions on the risk measurement drivers) and the map of processes (which makes it possible to identify the sources of risk and the parties responsible for assuming and controlling them).

3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

Based on the information from Banca d’Italia, the liquidity risk should be considered the risk of not being able to meet one's payment commitments, rather than not being able to finance financial statement assets within the proper time frame. These circumstances may arise when it is impossible to locate funds or obtain them at reasonable costs (funding liquidity risk), or when there is difficulty in unfreezing assets, thus resulting in capital losses (market liquidity risk).

Based on the above, Factorit attempts to contain risks and, for prudential reasons, its goal is to maintain the balance of the structure through asset and liability maturity dates in terms of pursuing increased profitability.

Nevertheless, the data in the following table could be misleading. The time mismatch between levels of assets and liabilities is justified by the fact that the Company's funds are almost completely concentrated with the parent company Banca Popolare di Sondrio and the Banca Popolare di Milano Group, the second largest shareholder of reference.
This circumstance makes it possible to affirm that Factorit's liquidity risk is limited.

Nevertheless, it is felt that the company's real liquidity risk is due to the liquidity risk of Banca Popolare di Sondrio, whose specific guidelines are thus welcome, with funds concentrated in retail clients, who are thus quite diversified, and in the interbank system, where there is a very high level of trust in the institution.

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 to 5 years	Over 5 years	Undetermined duration
Assets											
A.1 Government securities											
A.2 Other debt securities	12,463										
A.3 Loans	279,062,655	118,134,901	223,761,034	316,801,742	601,206,715	188,397,719	78,780,100	145,627,106	1,998,172		
A.4 Other assets		24,756									3,370,739
Liabilities											
B.1 Deposits and current accounts											
- Banks	1,145,958,679	7,962,958	472,007,350	102,967,490	31,472,052	4,153,082					
- Financial institutions	381,423										
- Customers	782,471										
B.2 Debt securities											
B.3 Other liabilities				2,076,686			24,530,754				
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	37,621,327	8,551,725	21,056,307	53,490,632	115,517,046	56,428,994	7,069,338	45,118,597			
C.5 Financial guarantees issued											

With regard to liabilities, deposits and current accounts with Banks, Euro 1,689,609,133 represents payables to the Parent Company; while Euro 2,720,271 represents payables to Banca Popolare di Milano Group, the second shareholder of reference.

2. Remaining contractual duration for financial assets and liabilities – denomination currency: USD

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 to 5 years	Over 5 years	Undetermined duration
Assets											
A.1 Government securities											
A.2 Other debt securities											
A.3 Loans	518,471			14,192,791	36,037,132	95,293	27				
A.4 Other assets											
Liabilities											
B.1 Deposits and current accounts											
- Banks	4,874,617		748,936	4,827,758	38,329,137	1,713,191					
- Financial institutions											
- Customers											
B.2 Debt securities											
B.3 Other liabilities							325,329				
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	6,082		135,922		200,569						
C.5 Financial guarantees issued											

3. Remaining contractual duration for financial assets and liabilities – denomination currency: SEK

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 to 5 years	Over 5 years	Undetermined duration
Assets											
A.1 Government securities											
A.2 Other debt securities											
A.3 Loans	1,139,516				5,413,630						
A.4 Other assets											
Liabilities											
B.1 Deposits and current accounts											
- Banks	1,364,487	1,108,028		573,153	3,438,555						
- Financial institutions											
- Customers											
B.2 Debt securities											
B.3 Other liabilities							21				
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											

4. Remaining contractual duration for financial assets and liabilities – denomination currency: OTHER

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 to 5 years	Over 5 years	Undetermined duration
Assets											
A.1 Government securities											
A.2 Other debt securities											
A.3 Loans	374,296										
A.4 Other assets											
Liabilities											
B.1 Deposits and current accounts											
- Banks											
- Financial institutions											
- Customers											
B.2 Debt securities											
B.3 Other liabilities							320,583				
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	770,009		120,558	8,014	477,581						
C.5 Financial guarantees issued											

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 5 years made it possible to bring Euro 55.8 million to the reserve.

(in millions of euros)					
2007	**2008**	**2009**	**2010**	**2011**	**Total**
10.6	15.6	18.0	5.9	5.7	55.8

4.1.2 Quantitative information

4.1.2.1 Corporate equity: composition

Items / Figures in units of euros	**2012**	**2011**
1. Share capital	85,000,002	85,000,002
2. Share premiums reserves	11,030,364	11,030,364
3. Reserves		
- of net income		
a) legal	6,848,100	6,358,930
b) statutory		
c) treasury stock		
d) other	54,923,176	49,686,371
- 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	-136,284	71,554
- Amount of valuation reserves related to shareholdings valued using the equity method		
6. Equities		
7. Net income (loss) for the year	14,879,199	9,805,975
Total	**177,498,267**	**166,906,906**

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 31/12/2012 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	2012	2011
A. Tier 1 capital prior to the application of prudential filters	171,548,267	162,826,906
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	-1,256,035	-1,191,087
E. Total Tier 1 capital (C-D)	170,292,232	161,635,819
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)	170,292,232	161,635,819
O. Tier 3 capital		
P. Guarantee capital including Tier 3 (N + O)	170,292,232	161,635,819

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 31/12/2012.

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 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	
	2012	2011	2012	2011
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1 Standardized approach	4,245,498,607	3,888,504,556	1,869,057,343	1,636,883,228
2 Internal ratings approach				
2.1 Basic				
2.2 Advanced				
3 Securitization				
B. REGULATORY EQUITY REQUIREMENTS				
B. 1 credit and counterparty risk			112,143,445	98,212,994
B. 2 Market risks				
1 Standard approach				
2 Internal models				
3 Concentration risk				
B.3 Operating risk				
1 Basic approach			9,397,288	9,132,104
2 Standardized approach				
3 Advanced method				
B. 4 Other prudential requirements				
B. 5 Other calculation elements			-30,385,182	-26,836,274
B. 6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 + B.5)			91,155,551	80,508,823
C. RISK ASSETS AND REGULATORY RATIOS				
C. 1 Risk-weighted assets			1,519,259,409	1,341,813,989
C. 2 Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)			11.21%	12.05%
C. 3 Regulatory equity including Tier 3/ Risk-weighted assets (Total capital ratio)			11.21%	12.05%

The weighted amount for counterparty and credit risk benefits from bank guarantees issued by the parent company for leading industrial groups, in the amount of Euro 162,857 thousand.

Section 5 *Analytical statement of comprehensive income*

	Items	Gross amount	Income tax	Net amount
10.	**Net income (loss) for the year**	**24,604,712**	**-9,725,513**	**14,879,199**
	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 disposals	-	-	-
	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	-286,674	78,836	-207,838
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)**	**24,318,038**	**-9,646,677**	**14,671,361**

Section 6 *Transactions with related parties*

6.1 Information on compensation of key management personnel

Executives: compensation Euro 379,783, of which Euro 280,440 payments for employment work, Euro 20,000 for bonuses and other incentives, Euro 25,743 for non-monetary benefits, and Euro 53,600 for emoluments for the position of Managing Director.

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. Transactions with Banca Popolare di Milano Group

Balance sheet

Company	Financial receivables	Financial payables	Other receivables	Other payables
Banca Popolare di Milano	2,245	1,330,803	16,072,819	1,205,350
Banca di Legnano	554,237		63,570	184,118
Banca Popolare di Mantova				
Total	**556,482**	**1,330,803**	**16,136,389**	**1,389,468**

Income statement

Company	Interest receivable	Interest payable	Interest payable on active pool	Factoring commissions	Other Commissions payable	Other charges
Banca Popolare di Milano	1,631	952,083	1,896,800	644,557	74,990	12,400
Banca di Legnano	1,237	294,486	266,591	117,723	7,968	
Banca Popolare di Mantova	3,939	62,757			5,259	
Total	**6,807**	**1,309,326**	**2,163,391**	**762,280**	**88,217**	**12,400**

6.3.2. Transactions with parent company and affiliates

Receivable from credit institutions

Banca Popolare di Sondrio	Amount
Ordinary current accounts – euros	3,796,905
Ordinary current accounts – foreign currency	644,722
Invoices to issue – Seconded personnel	-
Accounts - principals	-
Total	**4,441,627**

Payable to credit institutions

Banca Popolare di Sondrio	Amount
Ordinary current accounts	1,121,362,864
Short-term overdraft facility	510,000,000
Accrued liability on short-term overdraft facility	97,833
Advances foreign currency	56,880,790
Accrual advances foreign currency	97,072
Principals accounts	19,945
Commissions to be paid	1,139,583
Supplier invoices	11,046
Total	**1,689,609,133**

Costs – credit institutions

Banca Popolare di Sondrio	Amount
Interest payable	19,446,467
Commissions payable – expenses	171,930
Commissions payable – factoring commissions	1,139,583
Commissions payable - guarantees	165,645
Charges for rent payable	105,266
Service contract	90,000
Directors' emoluments	13,600
Seconded personnel	78,350
Total	**21,210,841**

Revenues – credit institutions

Banca Popolare di Sondrio	Amount
Interest receivable – ordinary current accounts	7,718
Seconded personnel	50,256
Total	**57,974**

Payable to customers

Sinergia Seconda Srl	Amount
Invoices suppliers	262,231
Total	**262,231**

Costs – customers

Sinergia Seconda Srl	Amount
Charges for rents payable	873,052
Totale	**873,052**

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

	Items under assets	12/31/2011	12/31/2010
10.	Cash and cash equivalents	81,545,810	80,243,283
20.	Financial assets held for trading	2,187,555,666	2,800,451,233
30.	Financial assets valued at fair value	81,712,732	91,887,524
40.	Financial assets available for sale	703,657,507	106,925,415
50.	Financial assets held until maturity	220,331,824	249,303,845
60.	Receivables due from banks	2,200,794,344	1,465,507,138
70.	Receivables due from customers	20,606,382,386	18,247,861,145
80.	Hedging derivatives	-	-
90.	Adjustment of value of financial assets subject to generic hedging (+/-)		
100.	Shareholdings	348,463,978	349,475,661
110.	Tangible assets	133,570,510	131,656,194
120.	Intangible assets	10,180,339	10,837,065
	- of which goodwill		
130.	Tax assets	79,583,759	63,417,459
	a) current	-	20,240,556
	b) deferred	79,583,759	43,176,903
140.	Non-current assets and groups of assets being divested	-	-
150.	Other assets	329,331,291	180,270,601
	Total assets	26,983,110,146	23,777,836,563

	Items under liabilities and shareholders' equity	12/31/2011	12/31/2010
10.	Payables due to banks	3,693,891,267	2,276,296,738
20.	Payables due to customers	17,984,401,732	17,035,101,728
30.	Outstanding securities	2,583,272,886	1,931,738,258
40.	Financial liabilities held for trading	143,837,997	90,855,961
50.	Financial liabilities valued at fair value	-	-
60.	Hedging derivatives		
70.	Adjustment of value of financial liabilities subject to generic hedging		
80.	Tax liabilities	25,479,801	12,749,514
	a) current	12,456,077	-
	b) deferred	13,023,724	12,749,514
90.	Liabilities associated with assets being divested		
100.	Other liabilities	727,637,055	557,740,390
110.	Employee severance pay	36,000,213	35,734,387
120.	Provisions for risks and charges	112,116,496	114,789,552
	a) retirement and similar obligations	77,830,629	77,216,339
	b) other provisions	34,285,867	37,573,213
130.	Valuation reserves	-43,564,776	614,271
140.	Redeemable shares		
150.	Equities		
160.	Reserves	591,878,026	522,958,256
170.	Issue premiums	172,510,523	174,314,662
180.	Capital	924,443,955	924,443,955
190.	Treasury stock (-)	-26,078,736	-32,820,863
200.	Net income for the year	57,283,707	133,319,754
	Total liabilities and shareholders' equity	26,983,110,146	23,777,836,563

INCOME STATEMENT

	Items	2011	2010
10.	Interest receivable and similar income	747,595,789	571,663,367
20.	Interest payable and similar expenses	-293,493,896	-178,296,266
30.	**Interest margin**	**454,101,893**	**393,367,101**
40.	Commissions income	233,648,218	218,601,016
50.	Commissions expenses	-13,593,127	-12,229,180
60.	**Net commissions**	**220,055,091**	**206,371,836**
70.	Dividends and similar proceeds	6,393,497	6,367,943
80.	Net result held for trading	-71,887,626	-36,675,920
90.	Net result from hedging		
100.	Net income/loss from sale or repurchase of:	4,526,564	-360,031
	a) receivables		
	b) financial assets available for sale	2,959,402	-327,473
	c) financial assets held until maturity	123,588	-
	d) financial liabilities	1,443,574	-32,558
110.	Net result of financial assets and liabilities valued at fair value	-6,640,809	805,938
120.	**Earning margin**	**606,548,610**	**569,876,867**
130.	Adjustments/reinstatements of net value due to impairment of:	-162,946,761	-123,751,620
	a) receivables	-155,292,598	-116,645,555
	b) financial assets available for sale	-7,154,163	-5,106,065
	c) financial assets held until maturity		
	d) other financial operations	-500,000	-2,000,000
140.	**Net result from financial management**	**443,601,849**	**446,125,247**
150.	Administrative expenses	-337,056,477	-327,514,220
	a) personnel expenses	-165,373,195	-164,839,951
	b) other administrative expenses	-171,683,282	-162,674,269
160.	Net allocations to funds for risks and charges	4,155,695	1,428,761
170.	Adjustments/reinstatements of net value for tangible assets	-12,059,409	-12,106,233
180.	Adjustments/reinstatements of net value for intangible assets	-9,787,567	-8,419,344
190.	Other operating charges/proceeds	40,766,712	34,367,311
200.	**Operating costs**	**-313,981,046**	**-312,243,725**
210.	Net income (Losses) from shareholdings	-12,252,465	57,987,583
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	-22,518	-191,748
250.	**Net income (Loss) from continuing operations before taxes**	**117,345,820**	**191,677,357**
260.	Income tax for the year for current operations	-60,062,113	-58,357,603
270.	**Net income (Loss) for current operations after taxes**	**57,283,707**	**133,319,754**
280.	Net income (Loss) for groups of assets being divested after taxes		
290.	**Net income for the year**	**57,283,707**	**133,319,754**

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 2012
Independent auditing	Deloitte & Touche SpA	48,996
Quarterly audits	Deloitte & Touche SpA	8,092
Interim reporting package	Deloitte & Touche SpA	11,479
Other services	Deloitte & Touche SpA	
Comprised of:		
Approval of tax returns (770-Single Tax Return)		7,500
Audit of financial statements in English		5,000

(units of euros)

The above figures do not include VAT and expenses.

REPORT FROM THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

In performing our duties in compliance with the law, we followed the rules of conduct recommended by the Italian National Council of Accountants and Tax Advisors. Therefore, in compliance with the law and said provisions, we monitored observance with the law, the by-laws and the principles of proper administration, as well as the adequacy of the organizational structure and internal control system.

With regard to compliance with the law, the by-laws and principles of proper administration, we note that during 2012 the Directors did not perform transactions which conflicted with the provisions of law and the by-laws, or transactions which were manifestly imprudent or detrimental to the Company, or any atypical or unusual transactions. In addition, based on the information produced by company executives with regard to management decisions, both during Board meetings and at meetings during the course of the year, we determined that they complied with proper management principles. In this regard, we add that in terms of operations, we found no conduct which diverged from or conflicted with the decisions made by Directors. With regard to meetings of company organs held during 2012, we note that the Board of Auditors participated in the shareholders' meeting of April 2, 2012 to approve the financial statements for 2011 and in all nine 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 laws that govern their functions. We also report that the Board of Auditors met eleven times during 2012.

With regard to monitoring the adequacy of the organizational structure and internal control systems, we performed our actions based on a regular correspondence with the competent structures of the company and the parent company, engaging in periodic exchanges of ideas with company managers and the auditing company. It goes without saying that our actions were focused on monitoring whether the organizational structure and control systems met the company's needs, in particular needs arising from developments in the complex process of integrating the company into the banking group to which it belongs. At present, while we are still finalizing the operating manuals for several functions and implementation of the Gianos IT system dedicated to anti-money laundering procedures, this process can be considered substantially concluded, as the company has adapted its organizational, procedural and control models to those of the parent company Banca Popolare di Sondrio.

With regard to keeping regular accounts and proper representation of operating events in the financial statements, the control function was performed by the auditing company Deloitte & Touche SpA. It has informed us that its audit did not reveal any issues with the financial statements, or anything of note with regard to the organization of the accounting systems and their ability to properly represent operating events. We nevertheless monitored the layout and formation of the financial statements, in particular the accounting principles adopted, whether the financial statements reflect operating events during the year, and the completeness of the operating report.

The financial statements which the Directors submit for your approval were prepared in compliance with the specific provisions that govern their preparation. Therefore, they were drafted in compliance with IAS/IFRS international accounting standards, as interpreted by the O.I.C. (Italian Standard Setter). The representation format complies with the form requirements for credit and financial entities. With regard to the report on operations, we note that it complies with the related provisions of law and that it is therefore complete and consistent with the data and information provided in the financial statements and explanatory note.

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

Finally, we note that upon approval of the financial statements at December 31, 2012, the terms of office for the Board of Directors and the Board of Auditors will expire. Please take steps to reappoint these organs, taking into consideration the changes in their composition and, in particular, the fact that no directors have been co-opted to replace the two who left office, Roberto Ruozi last October and Annibale Ottolina last January: since then the board has consisted of five members instead of seven, as established by the shareholders' meeting of July 29, 2010. We also note that on October 15, 2012 statutory auditor Flavio Dezzani turned in his resignation. Alternate auditor Mario Vitali stepped in to take his place.

Subject to 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 2012 and the related proposal for the appropriation of net earnings.

Milan, March 26, 2013

THE BOARD OF AUDITORS

Carlo Bellavite Pellegrini,
Chairman
Pio Bersani, Statutory Auditor
Mario Vitali, Statutory Auditor

Deloitte.

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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, 2012, 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 March16, 2012.

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, 2012, 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, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 29, 2013

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

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