Factorit

ANNUAL REPORT AND FINANCIAL STATEMENTS

AT DECEMBER 31, 2013

Banca Popolare di Sondrio Group

This is an english translation of the italian language original "Relazione e Bilancio d'Esercizio al 31 dicembre 2013" 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 2013" is available on www.factorit.it.

Factorit S.p.A.

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Member of 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 FCI - Factors Chain International

Administrative and Control Organs

BOARD OF DIRECTORS

Chairman	Piero Melazzini
Vice Chairman	Roberto Ruozi
Manager Director	Antonio De Martini
Directors	Aldo Aletti Mario Alberto Pedranzini Ambrogio Pizzamiglio Lino Stoppani

BOARD OF AUDITORS

Chairman	Luca Zoani
Statutory Auditors	Pio Bersani Mario Vitali
Alternate Auditors	Alberto Balestreri Gianerminio Cantalupi

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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Via XX Settembre, 37 - 10121 Turin
Tel. 011 0587284 - Fax 011 0587285

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Tel. 049 663370 - Fax 049 652827

Bologna
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Tel. 051 6443751 - Fax. 051 6443761

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Tel. 06 94359720 - Fax 06 94359735

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DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,
The 2013 financial statements, your company's thirty-fifth, have closed with net earnings of Euro 19,351,574.
During the year the organizational structure was consolidated, in particular with regard to the customer and debtor management service, and constant attention was focused on the system of controls.
The customary attention was focused on the distribution channel, which consists of member banking networks.

INTERNATIONAL INFORMATION

With trends gradually improving, results for 2013 were essentially the same as those for 2012: world GDP increased by about 3%, confirming the wide disparity between advanced economies, just over 1%, and emerging ones, a little under 5%.
The United States grew by 1.9%, slower than 2012, due primarily to investments, which rose only 4.4% compared with the previous 8.3%. Public expenditure dropped by 2.2%, while family consumption increased by 2%.
Unemployment, which had leaped to 8.5% in January, gradually decreased to 6.5%. As this was a declared objective of the Federal Reserve, it continued both extremely low interest rates and unconventional monetary policies, encouraged by inflation which fluctuated between a minimum of 1% and a maximum of 2%, ending the year midway between the two extremes.
By the third quarter, Canada had managed to maintain a 1.6% rate of growth, while to the south, Mexico, which had made a good showing in 2012, saw its growth rate drop to 1.2%. While experiencing a slowdown, Chile still reported a remarkable +4.5%; results were also good for Brazil (+2.4%) and above all Argentina (+5.6%).

After a difficult 2012, Japan reported a good comeback, from -0.1% for the first quarter of 2013 to +2.4% in the third quarter. Along with foreign sales, which went from -3.5% to +3.2, thanks to the new economic policy, domestic demand revived, especially investments (from -1% to +4.4%). This improved unemployment, which dropped to 3.4% by year end. With the final push of the consumer price index – still at -0.9% in March but happily increased to +1.6 by year end – monetary expansion focused on the coveted goal of ending deflation.
China (+7.7%) replicated its performance of 2012. Unemployment remains steady at 4.1%, as does the official benchmark rate of the People's Bank of China, with a final figure for price dynamics that is also identical to that of the previous year (2.5%).
India also continued to be lively, with growth at a little over 5% in 2012 and a little under that in 2013.
The other major countries in the area can be divided into two groups. Some maintained the dynamics of recent years: around 6% for Indonesia, 5% for Malaysia and 3% for South Korea and Thailand. Others, which had been in a sharp downswing during the previous year, experienced a good recovery in 2013: 3.7% for Singapore, 2.2 for Taiwan, and 3% for Hong Kong.
Russia is a unique case, with a steady drop from the peak reached in the third quarter of 2011

(5%) to a modest +1.2% reported in the two most up-to-date figures for mid-2013.

With regard to the Euro Zone, after seven consecutive quarters in negative territory, the trend for the last quarter (+0.5%) made it possible to limit losses for the year to -0.4%.
While three tenths of a point less than the previous year, the annual growth for Germany (+0.6%) is the result of a significant acceleration from the first quarter (-0.3%) to the most recent one (+1.4%).
The overall performance of France (+0.3%) is lower, but still a slight improvement over 2012 (+0.1%); Spain is still in recession (-1.2%) and Greece is in a worse one (-3.7%).
The area's overall progress, albeit modest, slightly decreased unemployment, which was 11.9% in late 2013. This may also be due to two more twenty-five cent cuts in borrowing costs by the ECB in May and November, with the benchmark rate dropping to a historic minimum of 0.25%. The Frankfurt institution was reassured, if not directly driven, by price dynamics that had so cooled down that there was a threat of deflation, from 2.2% at the end of 2012 to 0.8% twelve months later.
Outside the single currency zone (which as of 2014 includes Latvia) but within the European Union (which Croatia joined on July 1 of last year), positive news comes from the United Kingdom, which reported an increase of 1.9%.
In Switzerland, there was solid evidence of a recovery as growth increased from +1.1% in 2012 to +1.8 in the first nine months of 2013. There was a decisive slowdown in imports, which grew by only 0.7%, with a very slight drop in exports to +2.3%. Contributing to this was the performance of the Swiss franc, which gained against the US dollar but lost ground against the euro. Domestic demand improved in investments (which returned to positive territory, to +0.7%) but almost imperceptibly worsened in private consumption and more clearly lost ground in public consumption, with the two items now equal at +2.3%.
Unemployment, which dropped during the first half-year, then resumed its upward trend, topping out at 3.5% by the end, two tenths higher than the previous year end. Monetary policy, which the Swiss National Bank had kept extremely loose, followed its emergence from the previous full-blown deflationary situation.

ITALIAN SITUATION

For the second consecutive session, Italy experienced an annual growth rate that trended negative, albeit to a lesser extent: -1.9% compared to -2.6% in 2012.
Three quarters into 2013, growth was -2.2%, with a lessening of the drop in all components of domestic demand, from private (-2.8%) and public (-0.3%) consumption to investments (-6.1%). But compared to the recent past, negative territory encroached, albeit only fractionally, on exports as well (-0.1%), which, net of an import backlog of 3.6%, nevertheless resulted in an overall favorable contribution.
As confirmation, the foreign trade surplus improved, coming to almost 24 billion in the first ten months compared to 6 billion for the same period during 2012; this expansion is entirely attributable to relationships with non-EU countries, which, moving from a deficit of 4 billion, presented a surplus of fully 14 billion.
Symptomatic of an economy that does not acquire, either internally or beyond its borders, because it does not consume and does not invest, is also the cooling in terms of prices, with a harmonized index that has steadily dropped – unresponsive even to the increase in VAT – from

2.6% in December 2012 to 0.7% one year later.

Paradoxically, due to the fear of deflation, this reversal of Italy's traditional position (with a figure that had always been above the European average) to a situation where the European average was higher than Italy's, if only by a single decimal point, cannot be viewed in a purely positive light.

The inevitable result of all this, with its load of social tensions, is unemployment at its highest levels in history. Dropping as always during the summer season, to below 11%, it then passed 13% in November. The unemployment rate actually rose to 45.8% for those between 15 and 24 years old, overshadowing the sensational news of only twenty-four months ago that one in three young people was unsuccessfully in search of a job.

Nor can it be any surprise that in 2013, despite the October "mini-maneuver," the deficit unexpectedly exceeded 3% once again, thus thwarting the efforts that had just encouraged the closing of the EU procedure for excessive deficits that had been underway since 2009.

The unfreezing of the commercial payments of Public Administrations is an additional reason for the jump in debt, from 127% to 133% of GDP, the culmination of a continuous worsening since 2007, by about 30 points overall.

Although specialized agencies have ordered additional downgrades of the sovereign rating, a truly comforting note, which reflects future expectations, has come from the one hundred base points drop in the spread on Italian ten year government securities.

FACTORING, THE DOMESTIC MARKET

During 2013, factoring demonstrated that it could withstand the crisis better than other areas, despite the weakening of the global and Italian economy during recent years and the recession that continues to drag on.

Sector data indicate a slowdown in activity during the year just concluded, but the factoring industry has guaranteed continuity in supporting enterprises, with positive growth rates reported until the end of 2012 and a consolidation of volumes, with a modest slowdown only in 2013, due primarily to the effect of the crisis and lower sales revenues for companies.

The sector's substantial resilience should be attributed primarily to the product's lower risk compared to short-term bank loans and the possibility it offers companies to obtain liquidity and free themselves of the burden of dealing with debtors in order to receive payment for invoices.

According to data from the trade association Assifact, taken from 31 members that represent the entire Italian factoring market, on December 31, 2013 total receivables sold came to 171.6 billion euros, a 2.1% decrease compared to the same period in 2012. On the same date, existing total receivables had reached 54.8 billion euros (-4.8% compared to 2012) and advances and payments made came to 43 billion euros (-6.9% compared to 2012), with a ratio between advances and total receivables of 78.4%.

In 2013 the average duration of receivables dropped slightly compared to 2012. Average turnover for receivables was 117 days compared to 119 days for the previous year, thanks in part to slightly faster payment times from the Public Administration.

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

	2010	2011	2012	2013
Turnover	136,755,784	168,860,383	175,314,853	171,578,970
Outstanding	50,817,961	57,248,041	57,519,001	54,775,632
Advances	39,259,127	45,132,438	46,112,471	42,950,579
Advances/Outstanding	*77.3%*	*78.8%*	*80.2%*	*78.4%*

(values in thousands of euros)

Based on the information provided by Assifact at December 31, 2013, 58% of factoring companies in Italy are made up of financial brokers pursuant to Art. 107 of the Consolidated Banking Act, banks represent 19%, and other brokers (pursuant to Art. 106 of the Consolidated Banking Act and brokers who do not operate with the public) represent 23%.
The volume of receivables sold to the top 5 operators in the system (which all belong to banking groups), which include Factorit, represent 73.9% of total market turnover.

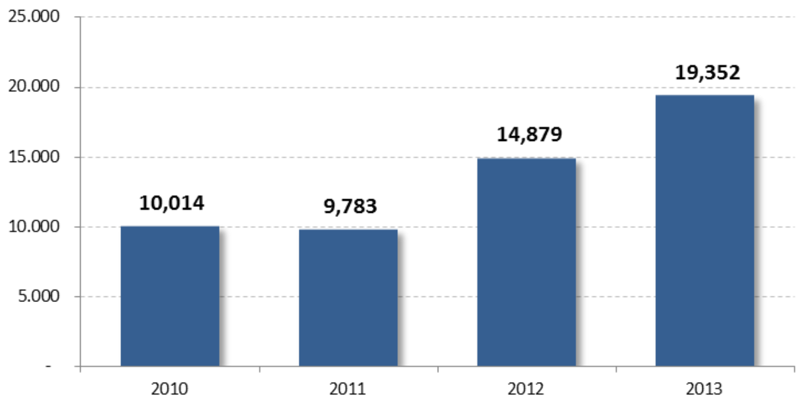
According to sector operators, during 2014 the Italian factoring market should begin to grow again in both volumes of receivables sold (+1.8% approximately) and the amount of receivables in existence (+0.7%), thanks to the moderate recovery in economic activity expected in 2014 and a return to a modest growth in GDP, which according to estimates could settle at around +0.7% for 2014 and rise to +1.0% in 2015.

COMPANY PERFORMANCE

Economic and income results

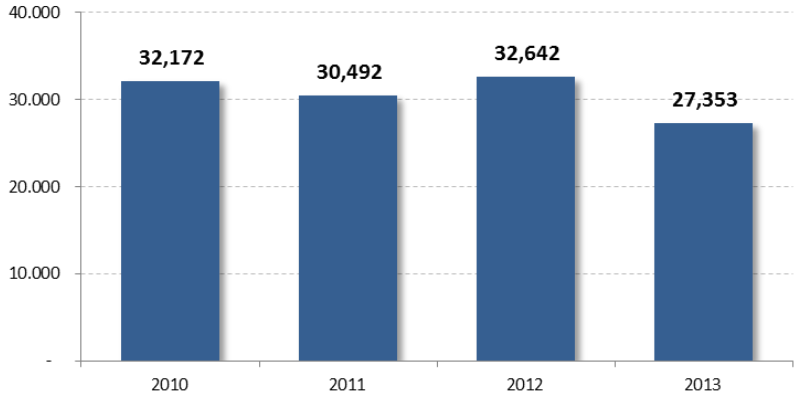
The Company ended the year with net earnings of 19.4 million euros, after allocating adjustments in gross value due to impairment of receivables for 23.9 million euros and of other financial transactions for 1.2 million. Write-backs were respectively 9.6 million euros for receivables and 1.4 million for other financial transactions. Total net adjustments therefore come to 14.1 million euros.

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



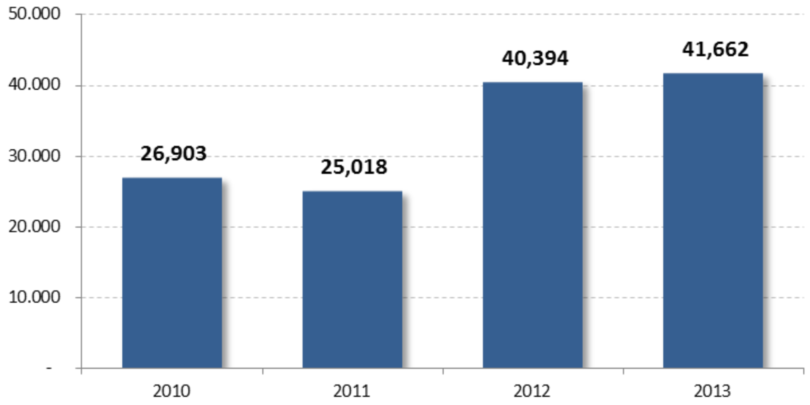
Activity generated an earning margin of 69 million euros, of which 41.7 million are from financial proceeds and 27.3 million from commissions.
Revenues from one-time commissions for sales of receivables are reported based on the duration of the receivables sold. Periodic and deferred commissions are, on the other hand, reported on balance sheet at the time of the debit, coinciding with the relative pertinence to the period. At December 31, 2013 the amount deferred came to 2.8 million euros.

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



The increase in average lending to customers had a positive effect on net financial proceeds.

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



Net adjustments in value for a total of 14.1 million euros (28.9 million in 2012), the result of the impairment of various positions, effected results before taxes of 33.1 million euros.

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

Table 2. **Principal economic data reclassified**

	2012	2013
Net commissions	32,642	27,353
Net financial proceeds	40,394	41,662
Net results trading activity	314	-28
Earning margin	73,350	68,987
Total net costs of risk	29,828	15,898
Total net operating costs	18,917	19,986
Net operating profit	24,605	33,103

(thousands of euros)

	2012	2013
Cost/Income	25.8%	29.0%
ROE	8.4%	10.1%
Interest margin/earning margin	55.1%	60.4%
Services margin/earning margin	44.5%	39.6%

Principal operating events

On January 21, 2013 Annibale Ottolina, member of the Board of Directors, turned in his resignation pursuant to Art. 36 of Law Decree no. 201/2011, which regards interlocking.

On February 11, 2013 the Prato Sales Department, which handles the development of sales activity in Tuscany and Umbria, was transferred to the city of Siena for logistical reasons.

On March 13, 2013, the Board of Directors appointed the internal contact person for the compliance Function.

The ordinary shareholders' meeting, which was held at the parent company's headquarters in Sondrio on April 15, 2013, approved the annual financial statements at December 31, 2012 and the relative appropriation of earnings.
On April 15, 2013 the Board of Directors appointed Roberto Ruozi as Vice Chairman for the three year period from 2013-2015. During this meeting, Antonio De Martini was confirmed as the Company's Managing Director for the three year period from 2013-2015.
On the same date, the "Compliance Rules" were approved, shared with the parent company and Unione Fiduciaria S.p.A. (which was given responsibility for the function).

On April 24, 2013 the "Report on Organizational Structure" was sent to Banca d'Italia, as required by the Supervision instructions for brokers.

On June 17, 2013 the Board of Directors re-appointed the members of the Supervisory Board pursuant to Art. 6, paragraph 1, of Law Decree no. 231/2001 with regard to the criminal liability of enterprises.
During the same meeting, the update of the "Rules on the Internal Process for Adequate

Equity" and the "Emergency Plan for Capital" issued by the parent company were approved.

In June 2013, the "Operating Rules for the Process of Managing Possible Conflicts of Interest with «Particular Parties»" were prepared, based on: i) the new provisions on prudential Supervision for banks (Circular no. 263 of December 27, 2006 and subsequent updates by Banca d'Italia); ii) the Rules issued through CONSOB resolution no. 17221 of March 12, 2010 as amended; iii) the provisions of group regulations, with particular regard to "Rules for the Process of Managing Possible Conflicts of Interest with Affiliated Parties" and the related "Rules on Transactions with Affiliated Parties"; iv) "Rules on Transactions with Related Parties."

On September 20, 2013, Factorit joined the initiative promoted by the Lombardy region known as "Credito In-cassa," through formal acceptance of the irrevocable proposed agreement signed by Finlombarda and directed to factoring companies. The initiative, adopted through Council resolution no. X/386 of July 12, 2013, is intended to help companies (of any size and in any sector, which have registered or operating headquarters in Lombardy) to transfer certified receivables claimed from local public authorities.

On October 25, 2013 the Board of Directors resolved to approve the updates promulgated by the parent company regarding "Group Rules" and the "Rules on the Process of Managing Risk from Interests That May Be Held in Non-Financial Enterprises." In this area, Factorit decided to participate in the joint venture with leading cinematography companies in the production and commercial use of films with the characteristics set out by the Ministry for Cultural Assets and Activities – Office for the Cinema (Prot. 4298/C01-01-01-7.3 of March 11, 2013).

Based on the new wording of Art. 115-bis of Legislative Decree no. 58 of February 24, 1998, in the Consolidated Law on Finance, Factorit established, in agreement with the parent company, a "Register of persons with access to inside information" and identified the lists to be registered, as well as methods for entering data and maintaining this register.

During the year, all activities required to implement the procedure for managing the Single Euro Payments Area (SEPA) Direct Debit were carried out, and the appropriate changes were made to accounting applications in order to adopt the new payment method.

With regard to anti-money laundering, during the first half of 2013 GIANOS 3D – Factoring went into operation – an IT solution aimed at supporting company structures in the process of performing an "adequate examination" of customers, dynamic and updated management of risk profiles, as well as the production of anomaly indices arising from unexpected transactions. During the second half of the year, activities necessary for putting all components of the IT platform into full operation continued.

With regard to managing reports to the Tax Register, testing and verification of data entry flows continued. In addition, the recovery of the complete history of mailings was concluded, which was necessary to proceed with activating the product, and extraction procedures were prepared for the data entry necessary for monthly reporting. An IT solution that is widely available on the market was installed and put into production and was used for the most recent reporting. The "balances and movements" module for annual reporting to the Revenue Agency was installed and put into production.

In October, the application solution regarding "integrated electronic communications," acquired in agreement with the parent company, was activated. This instrument permits a more secure and orderly management of communications via certified electronic mail, integrating it with a substitute filing service with a ten year duration, and permits the virtual management of postal mailings, with a significant improvement in delivery times and a reduction in related manual actions.

When requested, the Risk Management Service has guaranteed the support the parent company needs, when requested, to update Factorit's assessment for purposes of evaluating the adequacy of the group Internal Controls System (ICS) and implementing the individual actions to be taken based on the new prudential Supervision provisions.

During the year, the appropriate contacts with the parent company were made in order to promptly adapt the information accounting system to electronic invoicing of the Public Administration.

Sales Performance

The amount of receivables sold during the period came to Euro 9,492.2 million, in line with the previous year (9,518.5 million).
There was a total of 1,378 active clients on December 31, compared to 1,600 for the previous year, a decrease of 13.9%. This is the result of maintaining a strict credit and accounting policy that involved, among other things, the closing of positions that were considered more problematic.
Receivables sold without recourse, that is with guaranteed collection, came to 50.5% of total turnover, while those sold with recourse accounted for 49.5%. 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 34.5% of receivables sold with recourse and 65.5% of receivables sold without recourse, in line with the previous year.

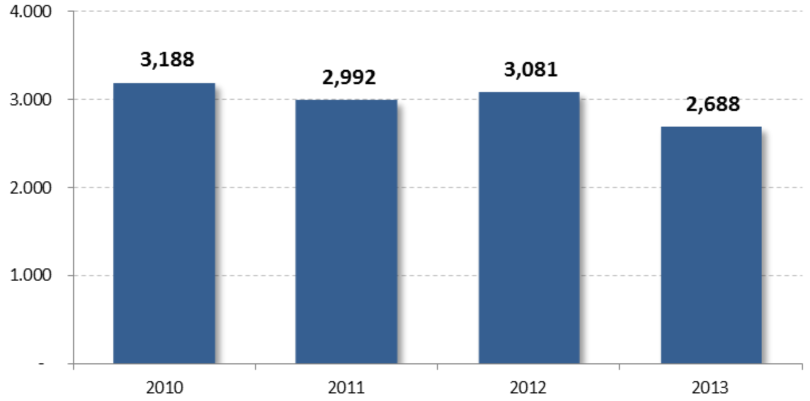
Table 3. **Operating data**

	2012	2013	Deviation
Turnover	**9,518,456**	**9,492,182**	**-0.3%**
Without recourse	5,161,285	4,788,983	-7.2%
With recourse	4,357,171	4,703,199	7.9%
Net commissions (%)	**0,35**	**0,29**	
Advances (Stock) at 12/31	**2,060,692**	**1,852,946**	**-10.0%**
Outstanding	**3,081,481**	**2,687,994**	**-12.8%**
Without recourse	1,394,129	1,125,140	-19.3%
With recourse	1,687,352	1,562,854	-7.4%
No. documents processed	**1,211,764**	**1,293,039**	**6.7%**

(*thousands of euros*)

With regard to the decrease in average commission, refer to what has been reported in the margin of Graph 2 **Performance of Commissions** in this Report.

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



The average duration of receivables decreased to 103 days, compared to 118 in 2012 and 117 for the market average in 2013.
The reduction in average turnover time for receivables is due primarily to the type of clientele and consequently to the relative payment methods.

The breakdown by management sector of the amount of receivables sold at December 31, 2013 shows the growth in so-called territorial segments involved in managing clients in northern Italy (Lombardy and Piedmont), areas where shareholder banks have a more widespread presence. Positive results were also achieved in segments that manage receivables from large corporate clients and large-scale distribution.

The analysis of turnover by product shows that traditional factoring accounts for 38.3% of total volume and is characterized by newly acquired clients who belong to the SME segment, consistent with the parent company's commercial strategies and client portfolio.
Most important are financing products with no notice (which represent 40.7% of the total). They are followed by maturity factoring (15% of the total) and products with guarantee only without notice (6% of the total).

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

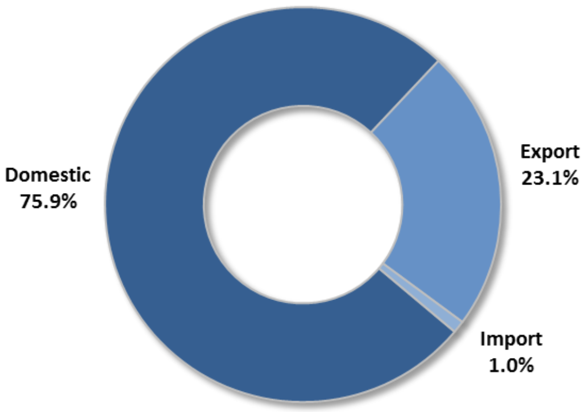
	2011	2012	2013
Traditional factoring	40.6%	45.9%	38.3%
Financing without notice	14.5%	26.6%	40.7%
Maturity Factoring	26.9%	16.1%	15.0%
Only guarantee without notice	18.0%	11.4%	6.0%
Total	**100.0%**	**100.0%**	**100.0%**

(Percentage values)

Domestic operations constitute 75.9% of total receivables sold (7,201.8 million euros in turnover). Export factoring accounts for 23.1% (2,196.5 million euros) and import factoring for 1.0% (93.9 million euros).

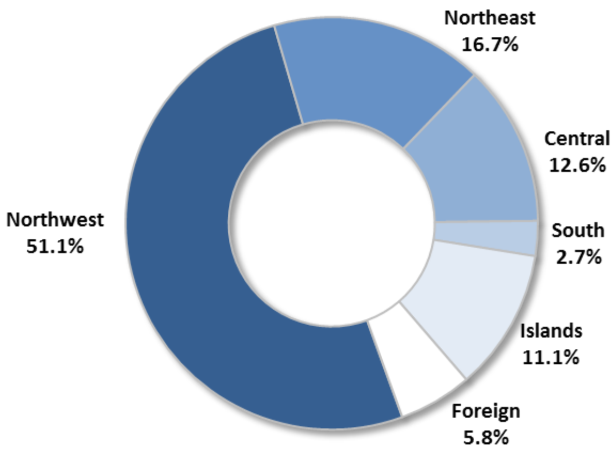
Both the growth reported for financing products without notice (+40.7% compared to 2012) and the increase in the Export area (+38.9%) are influenced by the establishment of a non-notification factoring relationship with an important Italian industrial group. Operations with a leading automotive group also have an impact on the foreign area.

Graph 5**. Territorial distribution of turnover**



The Company's sales activity concentrated on territories where shareholder institutions have a greater presence. Lombardy accounts for 35.7% of total receivables sold, a slight decrease compared to 2012. This is followed by the most significant regions in terms of volume – Piedmont (13.7%), Lazio (7.9%), Emilia Romagna (6.8%), Sardinia (6.3%) and Veneto (6.2%). The contribution to turnover of sellers with headquarters abroad came to 5.8%.

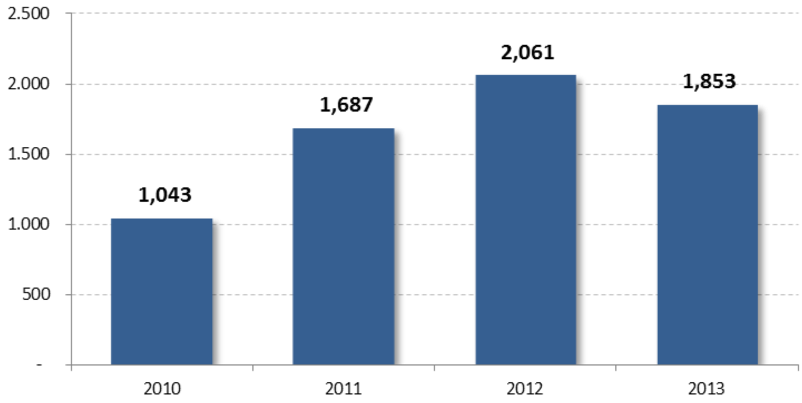
Graph 6. **Geographical distribution of assignors by macro-areas**



(percentages based on assignor's legal residence)

The amount of advances at December 31, 2013 was 1.853 million euros, equal to 68.9% of existing receivables.

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



Distribution channels

The amount of assignments from clients recommended by shareholder banks was 4,953.4 million euros, accounting for 52.2% of total receivables sold, and an increase of 20.2% compared to the previous year, primarily due to the efforts of the parent company Banca Popolare di Sondrio.
Under the aggregation processes occurred in the Italian banking system, in 2013 there were 62 institutions that had a product distribution agreement with Factorit, for a total of over 7,000 banks in the territory.
Considering the banking channel as a whole, recommended clients contributed 5,406.5 million euros, equal to 57% of total receivables sold.

Clients from the "direct" channel sold 3,991.8 million euros, with a drop of 13.8% over the previous year, in favor of clients of banking origin.

The volume of receivables from import factoring operations reported through FCI (Factors Chain International) comes to 93.9 million euros (-37.7%).

Table 5. **Turnover by distribution channel**

	2012	Incid.%	2013	Incid.%	Discrep.%
BPS	*1,783,581*	*18.7%*	*2,345,494*	*24.7%*	*31.5%*
BPM Group	*1,104,043*	*11.6%*	*1,172,561*	*12.4%*	*6.2%*
Banco Popolare Group	*1,233,403*	*13.0%*	*1,435,313*	*15.1%*	*16.4%*
Shareholder Banks	***4,121,027***	***43.3%***	***4,953,368***	***52.2%***	***20.2%***
Total Banks	4,737,168	49.8%	5,406,486	57.0%	14.1%
Total Direct	4,630,586	48.6%	3,991,763	42.0%	-13.8%
Total Import	150,702	1.6%	93,933	1.0%	-37.7%
Total	**9,518,456**	**100.0%**	**9,492,182**	**100.0%**	**-0.3%**

(values in thousands of euros)

Statutory compliance

In compliance with Banca d'Italia's supervisory provisions on banking transparency, during 2013 audits were successfully performed to determine the compliance of informational sheets, contractual documents and periodic communications; it was in fact found that the pre-contractual and contractual set had been correctly prepared.

The Company, including in light of the compliance Function's considerations expressed in opinions and audit reports, took some important internal actions regarding interest rates charged, such as the adoption of the "Document of Rules on Interest Rates," as well as initiating training courses on the matter for all personnel, with the contribution of outside speakers as well. It also took steps to establish a "Register of persons with access to inside information." Finally, in implementation of the parent company's regulations, it adopted specific procedures on managing conflicts of interest involving transactions with related parties.

With regard to regulations to combat money laundering and the financing of terrorism, in 2013 the compliance function provided six 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 client management structure was subject to a partial organizational review in order to better control both credit risk and the territory, avoiding the excessive decentralization of activity. The most significant action regarded the appointment of a coordinator to manage the Northwest Area and combine the Naples Management Office with the Affiliates Management Office.

Table 6. **Average number of employees**

	2012	2013
Executives	4	5
Mid-level managers	64	65
Employees	86	90
Total	**154**	**160**
Part time	*17*	*18*

Five employment relationships terminated during the year, while there were nine hires, of which three were pursuant to an apprenticeship contract, four were temporary (two of which were to cover maternity leave) and two were indefinite. The average data for total employees (160) is not weighted, in particular with reference to the 18 part-time contracts. The peak number of employees at December 31, 2013 was 164, with 92 men and 72 women.

Intense training activity continued during the year just ended. An orientation process was implemented for new hires, which includes basic training on typical banking issues. 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.

During the year, in collaboration with the Assifact trade association and SDA Bocconi, the project for the "Development of Management Service Skills" continued. This project led to the expansion of 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, and strengthened the leadership and team-building skills of the managers of the individual Management offices.

In accordance with the new State-Regions directives on job security, the Company continued to train all employees.

Risks linked to business activity

Interest rate and liquidity risk trends

With regard to interest rate risk, refer to specific Section 3 in the Explanatory Note – Information on Risks and the Related Hedging Policies.
With reference to liquidity risks, for financial year 2013 as well they were managed by the responsible structures of the parent company, which guaranteed the contribution of the financial resources needed to engage in business activities.

Credit risk trends

With regard to credit risk trends for 2013, the ongoing aftereffects of 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, 2013, overdue on balance sheet exposure, before adjustments, came to 54.1 million euros and corresponded to 2.9% of overall capital advances. These positions, net of adjustments, come to 9.1 million euros (6.5 million in 2012), equal to 0.3% of advances (0.3% in 2012), which at December 31, 2013 came to 1,853 million euros (2,061 million at December 31, 2012).
The percentage of hedging for non-performing receivables is 83.2%.
Doubtful receivables at December 31, 2013, before adjustments, were equal to 53.4 million euros (62.7 million euros in 2012) and came to 32.7 million euros net of adjustments (42.1 million in 2012).
At December 31, 2013 total losses of 15.7 million euros were reported (15.2 million in 2012). In detail: 12.6 million euros related to exposures with assignors; 2.8 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.

<u>Concentration of risk and guarantee capital</u>

During 2013 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, 2013, 18 positions were identified which could be classified as "Significant Individual Risks.” With regard to the most important position regarding a leading industrial group, 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 view 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

Projections for the Italian economy for the next two years seem to confirm the hoped-for turnaround, which should first appear with a moderate recovery in economic activity in 2014 and an additional slight upswing in 2015.

In this scenario, over the next year the Company will continue to have the goal of carefully monitoring risks and constantly improving the quality of managed portfolios.

Development action will focus on growth in the number of new customers, with particular attention to markets and segments that characterize the positioning of partner banks, and to seize every opportunity arising from the expected economic turnaround. The year 2014 will also usher in the initial results of a project launched in 2013 to develop international activities.
In managing existing clients, there will continue to be a sharp focus on the quality of managed portfolios and the cost of credit, which is a fundamental variable for achieving profitability objectives. Synergy between Factorit's commercial action and that
partner banks, and all participating banks will be indispensable.

Important events after year end

No important events occurred after year end that could have an impact on these financial statements.

Dear Shareholders,

We propose approval of the financial statements for the year ending at December 31, 2013 and the appropriation of earnings as follows:

Net earnings for the year	Euro 19,351,574
Earnings from previous years carried forward	Euro 237,390
Earnings to be appropriated	Euro 19,588,964
of which:	
5% to the legal reserve	Euro 967,579
Dividend of Euro 0.09 to each of the 85,000,002 shares in circulation	Euro 7,650,000
Earnings to the extraordinary reserve	Euro 10,700,000
Earnings carried forward	Euro 271,385

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 their 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 12, 2014

For the Board of Directors

The Chairman
(Piero Melazzini)

CONTENTS OF FINANCIAL STATEMENTS AT DECEMBER 31, 2013

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 position, financial position, and earnings performance for the year.

The explanatory note has the function of illustrating, analyzing, and in some cases supplementing the accounting data. These notes contain the information required by the instructions on preparing the financial statements of financial intermediaries. It also reports all additional information considered necessary in order to provide a true and accurate representation.

BALANCE SHEET

(figures in euros)

Assets	12/31/2013	12/31/2012
10. Cash and cash equivalents	2,987	5,400
40. Assets available for sale	2,250,000	-
60. Receivables	1,782,753,543	2,011,553,763
100. Tangible assets	502,312	384,319
110. Intangible assets	1,248,218	1,256,035
120. Tax assets	50,004,777	36,563,804
a) current	20,565,145	9,706,588
b) deferred	29,439,632	26,857,216
Pursuant to Law no. 214/2011	*26,845,768*	*24,601,540*
140. Other assets	5,199,500	3,395,495
TOTAL ASSETS	**1,841,961,337**	**2,053,158,816**

Liabilities and shareholders' equity	12/31/2013	12/31/2012
10. Payables	1,587,930,291	1,822,663,367
70. Tax liabilities	18,753,557	17,981,966
a) current	16,329,761	15,597,799
b) deferred	2,423,796	2,384,167
90. Other liabilities	35,043,123	27,253,373
100. Employee severance pay	2,123,354	2,233,450
110. Provisions for risks and charges:	7,128,307	5,528,393
a) retirement and similar obligations		
b) other provisions	7,128,307	5,528,393
120. Capital	85,000,002	85,000,002
150. Share premium reserves	11,030,364	11,030,364
160. Reserves	75,654,185	66,724,986
170. Valuation reserves	-53,420	-136,284
180. Net income (Loss)	19,351,574	14,879,199
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,841,961,337	2,053,158,816

INCOME STATEMENT

(values in euros)

	12/31/2013	12/31/2012
10. Interest receivable and similar proceeds	59,681,575	62,879,889
20. Interest payable and similar charges	-18,019,957	-22,485,339
INTEREST MARGIN	41,661,618	40,394,550
30. Commissions income	33,164,237	38,927,892
40. Commissions expenses	-5,811,440	-6,285,732
NET COMMISSIONS	27,352,797	32,642,160
60. Net result from trading	-27,528	313,573
EARNING MARGIN	68,986,887	73,350,283
100. Net value adjustments for impairment of:	-14,062,270	-28,935,436
a) financial assets	-14,321,765	-28,076,692
b) other financial operations	259,495	-858,744
110. Administrative expense	-22,905,741	-21,864,609
a) personnel expense	-12,345,370	-11,545,870
b) other administrative expense	-10,560,371	-10,318,739
120. Net value adjustments on tangible assets	-138,769	-109,103
130. Net value adjustments on intangible assets	-50,964	-50,977
150. Net provisions for risks and charges	-1,835,500	-893,530
160. Other operating proceeds and expenses	3,108,966	3,108,084
OPERATING INCOME	33,102,609	24,604,712
180. Net income (Loss) from the sale of investments	4,508	0
NET INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	33,107,117	24,604,712
190. Income taxes for the year on continuing operations	-13,755,543	-9,725,513
NET INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	19,351,574	14,879,199
NET INCOME (LOSS)	19,351,574	14,879,199

STATEMENT OF COMPREHENSIVE INCOME

(figures in euros)

	Items	12/31/2013	12/31/2012
10	**Net income (Loss)**	**19,351,574**	**14,879,199**
	Other income components net of taxes without reversal to income statement		
20	Tangible assets		
30	Intangible assets		
40	Defined benefit plans	82,864	(207,838)
50	Non-current assets held for sale		
60	Share of valuation reserves of shareholdings reported using the equity method		
	Other income components net of taxes with reversal to income statement		
70	Hedging of foreign investments		
80	Foreign exchange differences		
90	Cash flow hedges		
100	Financial assets available for sale		
110	Non-current assets being divested		
120	Share of valuation reserves of shareholdings reported using the equity method		
130	Total other income components net of taxes		
140	**Total comprehensive income (Items 10+110)**	**19,434,438**	**14,671,361**

CHANGES IN SHAREHOLDERS' EQUITY AT 12/31/2013

(figures in euros)

	Amounts at 12/31/2012	Change in opening balance	Amounts at 01/01/2013	Allocation of net income for the previous year		Changes for the year						Comprehensive income 12/31/2013	Shareholders' equity 12/31/2013
						Changes in reserves	Operations on shareholders' equity						
				Reserves	Dividends and other allocations		Issue of new stocks	Acquisition of treasury shares	Extraordinary dividend payments	Changes in equities	Other changes		
Share capital	85,000,002		85,000,002										85,000,002
Share premiums reserve	11,030,364		11,030,364										11,030,364
Reserves													
a) retained earnings	61,771,276		61,771,276	8,929,199									70,700,475
b) other	4,953,710		4,953,710										4,953,710
Valuation reserves:	(136,284)		(136,284)									82,864	(53,420)
Equitiy instruments													
Treasury shares													
Net income (loss)	14,879,199		14,879,199	(8,929,199)	(5,950,000)							19,351,574	19,351,574
Shareholders' equity	177,498,267		177,498,267		(5,950,000)							19,434,438	190,982,705

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 during the year						Comprehensive income 12/312/2012	Shareholders' equity 12/31/2012
						Changes in reserves	Operations on shareholders' equity						
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equities	Other changes		
Share capital	85,000,002		85,000,002										85,000,002
Share premiums reserve	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)
Equitiy 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

CASH FLOW STATEMENT

(figures in euros)

A. OPERATING ACTIVITIES	Amount	
	12/31/2013	12/31/2012
1. OPERATIONS	**51,848,516**	**60,001,939**
- net income (+/-)	19,351,574	14,879,199
- gains (losses) on financial assets held for trading and on financial assets/liabilities designated at fair value through profit or loss (+/-)	27,528	-313,573
- net value adjustments for impairment (+/-)	14,062,270	28,935,436
- net value adjustments for tangible and intangible assets (+/-)	189,733	160,080
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	1,835,500	893,530
- unpaid taxes and duties (+/-)	16,329,761	15,311,743
- other adjustments (+/-)	52,150	135,524
2. CASH FLOW FROM/USED IN FINANCIAL ASSETS	**206,289,607**	**-401,015,645**
- financial assets available for sale	-2,250,000	0
- receivables due from banks	19,223,613	-4,900,122
- receivables due from financial institutions	-41,661,058	-121,182,907
- receivables due from customers	235,363,473	-268,841,766
- other assets	-4,386,421	-6,090,850
3. CASH FLOW FROM/USED IN FINANCIAL LIABILITIES	**-253,675,022**	**333,721,423**
- payables due to banks	-234,815,666	353,951,840
- payables due to financial institutions	-10,125	226,972
- payables due to customers	92,715	115,643
- outstanding securities	0	0
- other liabilities	-18,941,946	-20,573,032
Net cash flow from/used in operating activity	**4,463,101**	**-7,292,283**
B. INVESTMENT ACTIVITIES		
1. CASH FLOW GENERATED BY	**13,020**	**0**
- sales of tangible assets	13,020	0
- sales of intangible assets	0	0
- sales of business units	0	0
2. CASH FLOW USED IN	**-312,928**	**-288,411**
- purchases of tangible assets	-269,781	-172,486
- purchases of intangible assets	-43,147	-115,925
- purchases of business units	0	0
Net cash flow generated by/used in investment activities	**-299,908**	**-288,411**
C. FUNDING ACTIVITY		
- issue/purchase of treasury shares	0	0
- issue/purchase of equities		
- distribution of dividends and other purposes	-5,950,000	-4,080,000
***Net* cash flow generated by/used in funding activities**	**-5,950,000**	**-4,080,000**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**-1,786,807**	**-11,660,694**

RECONCILIATION

	Amount	
	12/31/2013	12/31/2012
Cash and cash equivalents at beginning of the period	**8,006,186**	**19,666,880**
Total net cash flow generated/used	-1,786,807	-11,660,694
Cash and cash equivalents at the end of the period	**6,219,379**	**8,006,186**

EXPLANATORY NOTE FOR THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013

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, 2013 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 as amended.

General Accounting Policies

The company's financial statements have been prepared with clarity, and provide a true and fair view of the capital position, financial position, and earnings performance for the year.
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 Banca d'Italia 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 12, 2014, 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 prepaid taxes, 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, possibly within the next financial year, as noted in the Banca d'Italia , CONSOB and ISVAP document of February 6, 2009.

A.2 – MAIN ACCOUNTING AGGREGATES

ASSETS

Section 4 *Financial assets available for sale*

4.1 Classification criteria

This item included non-derivative financial assets, those not classified as receivables, financial assets held for trading or assets held until maturity. In particular, it includes securities not subject to trading activity and shareholdings that cannot be classified as holdings with a controlling, joint control or significant interest that are not held for trading.

4.2 Recognition criteria

The assets included in this item are recognized on the date of settlement. Portfolio securities available for sale are initially recognized according to fair value, which is comparable to the amount disbursed or the purchase price, and receivables and securities with more than a short term duration also include any transaction costs or revenues specifically attributable to each receivable or security.

4.3 Valuation criteria

At each closing of the financial statements or mid-year report the existence of objective evidence of impairment was examined. Any subsequent recoveries in value may not exceed the amount of losses from impairment previously reported.

Section 6 *Receivables*

6.1 Classification criteria

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

6.2 Recognition and derecognition criteria

Receivables and securities are allocated to this portfolio at the time of disbursement or purchase, and may not be transferred to other portfolios thereafter. Similarly, financial instruments held in other portfolios may not be transferred to the receivables portfolio, except as provided for in the amendment to IAS 39 and to IFRS 7 issued in 2008 by the IASB.
Receivables also include advances disbursed in connection with transfers of receivables with recourse or those transferred without recourse without a substantial transfer of risks and benefits.
Receivables transferred to the company and recognized against the transferred debtor – for which a substantial transfer of risks and benefits to the transferee company is recognized — are also included.
If they are transferred to third parties, receivables and securities are only derecognized from the accounts if and to the extent that all risks and benefits are substantially transferred.

6.3 Valuation criteria

At the time of their disbursement or purchase, receivables or securities are booked at their fair value; fair value is normally 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.

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 can be divided into 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 Banca d'Italia, 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.

Note that in compliance with current regulations, the company identifies so-called "objective doubtful" positions and so-called "impaired past-due" positions.
For these segments, starting with the present financial statements, an individual write-down was made on a collective basis, thus applying the same write-down percentage for each receivable for all parties in the same situation. These percentages were based on internal statistics. Note that the so-called "Objective doubtful" and "impaired past-due" positions were not subject to any discounting.

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 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 recovery time , which is estimated on the basis of procedures underway to recover the receivable
c) the internal rate of return

The individual impairment was calculated 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.

In particular for 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 non-performing and doubtful positions; in particular, if the managers of the positions do not indicate the exact recovery date, recovery times, consistent with the time frames adopted by the parent company, were estimated at 4 years for both non-performing positions and 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 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 in accordance with the guidelines laid down in the Supervisory Regulations
b) statistically estimating the probability of performing receivables becoming doubtful/non-performing receivables (so-called default rates)

c) computing the amounts of loss in case of default, on the basis of historical and statistical data, using a file of non-performing and doubtful positions

6.4 Criteria for reporting income components

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

a) interest received on loans and securities is allocated to the item "interest and comparable income"

b) impairment losses and reinstatements of value for receivables and securities are allocated to "Net value adjustments for the impairment of receivables"

Section 10 *Tangible Assets*

10.1 Classification criteria

The item includes assets with a functional use (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 accrual 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, less the depreciation booked and any long-term losses in value. Depreciation is recognized for the duration of the useful life of the assets. Regular checks are performed to ascertain whether substantial changes have occurred in the original conditions that would require changes in the initial depreciation schedules. If evidence is found of permanent losses in value, tangible assets are subjected to impairment tests and any potential losses are recorded. 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 losses of value, and reinstatements of value are allocated to "Net value adjustments to tangible assets"

b) gains and losses arising from sales 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 recognized 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 of 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 any losses in value .
Amortization is calculated on a straight-line basis along the entire useful life of the assets to be amortized. Regular checks are performed to ascertain whether substantial changes have occurred in original conditions that would require changes in the initial amortization schedules. In the presence of any evidence of permanent losses, intangible assets are subjected 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 subjected 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 reporting income components

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

a) periodic amortization, permanent losses of value 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 deferred tax assets as well as current and deferred tax liabilities.

Current tax assets include tax withholdings and tax advances paid during 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 reported 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 booked.

12.3 Valuation criteria for income components

Tax assets and liabilities are charged to the income statement under the item “income taxes for the year on current operations” unless they are derived from operations whose effects are directly attributable to shareholders' equity.

LIABILITIES

Section 1 *Payables*

1.1 Classification criteria

Payables due to banks include all financial liabilities other than trading liabilities, liabilities valued at fair value and outstanding securities which are part of the typical funding operations of the company.
Payables due to financial entities and customers include the value of the consideration that must still be paid to the seller within the sphere 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 at 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 reporting , payables continue to be recognized at their value collected or at the original value of the debt, given the short-term duration.

1.4 Criteria for reporting 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 without considering allocations for the year to outside complementary pension funds.

In consideration of the adoption of the new version of IAS principle 19, "Benefits for employees," actuarial gains and losses are booked directly with a balancing entry in net equity.

10.3 Criteria for reporting 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 net equity

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 represented by the present value of charges which are expected to be incurred to extinguish the obligation.
The provisions are derecognized if they are utilized or if the conditions required for their maintenance cease to exist.

11.3 Criteria for reporting 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
Assets and liabilities denominated in foreign currency are converted on the reporting date based on the spot rates in effect on that date.

Criteria for reporting income components

Transactions in currencies other than the euro are 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 reported in the income statement item "Net income from trading activities."

Costs and revenues

Costs and revenues are booked and recorded in the financial statements on an accrual basis. Revenues are reported when it is probable that the undertaking will make use of the economic benefits deriving from the operations and when their amount can be reliably measured. They are measured at the fair value of the consideration due.

In particular:

- Revenues for one-time commissions for sales of receivables are booked based on the duration of the receivables sold. Commissions received on a periodic and deferred basis are instead reported on-balance sheet at the time of the debit, on an accrual basis.
- Penalty interest is booked in the income statement only when it is actually collected.
- Payment interest received from transferors and deferment interest received from assigned debtors is booked on an accrual basis.

Costs are recognized in the income statement when there is a decline in future economic benefits, resulting in a decrease in assets or an increase in liabilities which can be reliably measured.

A.3 – INFORMATION ON TRANSFERS AMONG FINANCIAL ASSETS PORTFOLIOS

The company did not perform transfers among financial assets portfolios.

A.4 – INFORMATION ON FAIR VALUE

Information of a qualitative nature

Fair value is the consideration for which an asset could be exchanged or extinguished in a free transaction between aware and independent parties. It is not an actual price, but a monetary amount that expresses a value to which two parties who intend to make the exchange can agree, and which, as such, is not affected by subjective conditions arising from the characteristics of the contracting parties. In addition, fair value is not current market value, but incorporates all those factors that act to make a potential transaction an actual one: additional costs to incur, probable changes in price at the time of the exchange, future business dynamics.

International accounting standards reclassify the fair value of financial instruments on three levels, based on input that can be obtained from the markets.

- Level 1 input: the fair value of financial instruments classified at this level is based on quotations expressed in an active market. A price quoted in an active market provides the most reliable evidence of fair value.

- Level 2 input: the fair value of financial instruments classified at this level refers to parameters observable on the market other than quotations for the financial instrument.
- Level 3 input: the fair value of financial instruments classified at this level refers to parameters not observable on the market. An entity must process non-observable input using the best information available under the specific circumstances, which could also include the data from the entity itself.

A.4.1 – Fair value levels 2 and 3: valuation techniques and input utilized

The assets reported in the company's financial statements consist primarily of receivables of a commercial nature sold under a non-recourse regime and advances paid against receivables, again of a commercial nature, sold within the sphere of factoring operations.
It should be noted that there are no markets where it is possible to observe the transaction value of receivables sold, as the value of the sale depends solely on specific private agreements between the counterparties.
From previous considerations, we may conclude that the value of receivables sold can be reclassified without outside input only at level 3.
The most appropriate method of valuating the fair value of receivables sold and advances given is to note the current value based on discounted future cash flows, using a rate that normally corresponds to the effective rate of the ratio agreed with the selling counterparty; this rate also takes into account the other cost components of the transaction.
It should also be noted that the receivables sold and the advances granted normally have a short-term maturity and the ratios tend to be variable.
For these reasons, it is possible to affirm that the fair value of receivables is comparable to the transaction value, which is represented by the face value of the receivables sold in the case of a transaction without recourse, or the amount of advances given.
Liabilities in the financial statements consist primarily of financial debts to the banking system, the fair value of which, due to the short-term nature of the receivable, corresponds to the value of the sums or funds collected by the company.
These items are placed hierarchically at the third level, as they are governed by private law contractual relationships established on a time by time basis with the respective counterparties, and therefore, are not reflected in quotations or parameters observable on the market.

Information of a quantitative nature

Financial assets and liabilities measured at fair value	Level 1	Level 2	Level 3	TOTAL
1.Financial assets held for trading	-	-	-	-
2.Financial assets valued at fair value	-	-	-	-
3.Financial assets available for sale	-	-	2,250,000	2,250,000
4.Hedging derivatives	-	-	-	-
Total assets	-	-	**2,250,000**	**2,250,000**
1.Financial liabilities held for trading	-	-	-	-
2.Financial liabilities valued at fair value	-	-	-	-
3.Hedging derivatives	-	-	-	-
Total liabilities	-	-	-	-

A.5 – INFORMATION ON DAY ONE PROFIT/LOSS

Day one profit/loss, governed by IFRS 7 and IAS 39 AG. 76, comes from the difference between the first reporting of the financial instrument's transaction price and fair value. Generally speaking, this difference can be determined through those financial instruments that do not have an active market, and is charged to the income statement based on the useful life of the financial instrument.

The company does not have any operations that would generate significant income components that could be classified as day one profit/loss.

PART B Information on balance sheet

ASSETS

Section 1 *Cash and cash equivalents– Item 10*

(units of euros)	12/31/2013	12/31/2012
a) Cash	2,987	5,400
b) Deposit accounts with Central Banks	-	-
Total	**2,987**	**5,400**

Section 4 *Financial assets available for sale – Item 40*

4.1 Financial assets available for sale: product composition

Items/Values	12/31/2013			12/31/2012		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
- Structured securities						
- Other debt instruments						
2. Equities and shares of UCIs			2,250,000			
- valued at cost			2,250,000			
3. Financing						
Total			2,250,000			

Equities are due exclusively to the contribution of three joint ventures pursuant to Art. 2549 of the Italian Civil Code involving the production and use of cinematographic works.
These equities were maintained at cost, as it is not possible to determine an accurate fair value.

4.2 Financial assets available for sale: composition by debtors/issuers

Items/Values	12/31/2013	12/31/2012
Financial assets	**2,250,000**	
a) Governments and Central Banks		
b) Other public bodies		
c) Banks		
d) Financial Institutions		
e) Other issuers	2,250,000	
Total	**2,250,000**	

4.3 Financial assets available for sale: annual variations

	Debt instruments	Equities and shares of UCIs	Financing	Total
A. Initial amounts				
B. Increases		**2,250,000**		**2,250,000**
B.1 Acquisitions		2,250,000		2,250,000
B.2 Positive changes in fair value				
B.3 Reinstatements of value				
- charged to income statement				
- charged to balance sheet				
B.4 Transfers from other portfolios				
B.5 Other variations				
C. Decreases				
C.1 Sales				
C.2 Reimbursements				
C.3 Negative variation in fair value				
C.4 Adjustments in value				
C.5 Transfers to other portfolios				
C.6 Other variations				
D. Closing balance		**2,250,000**		**2,250,000**

Section 6 *Receivables – Item 60*

6.1 Receivables from banks

Composition	12/31/2013				12/31/2012			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	**6,216,392**			**6,216,392**	**8,000,786**			**8,000,786**
2. Financing	**609,158**			**609,158**				
2.1 Repurchase agreements								
2.2 Finance leases								
2.3 Factoring	609,158			609,158				
- with recourse								
- without recourse	609,158			609,158				
2.4 Other financing								
3. Debt instruments					**12,463**			**12,463**
- structured securities								
- other debt instruments					12,463			12,463
4. Other assets	1,616,107			1,616,107	21,436,415			21,436,415
Total	**8,441,657**			**8,441,657**	**29,449,664**			**29,449,664**

The fair value of receivables from banks is assumed to be equal to the book value, as these are on demand short term financial assets.

The amount of Euro 6,216,392, the item “deposits and current accounts," represents occasional and temporary funds at credit institutions, which are primarily the result of large collections received at the end of the period.

Item 4, “Other assets,” consists of:

- Euro 2,252 for receivables from Foreign Correspondents

- Euro 663,332 for receivables from Banca Italease S.p.A. related to the company's filing of a request for IRES refund for failure to deduct IRAP for personnel expenses pursuant to Law Decree no. 201/2011, because until 2009, Factorit S.p.A. was part of the Group tax consolidation for that company
- Euro 950,523 for sums paid to transferors 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

Composition	12/31/2013						12/31/2012					
	Book Value			Fair Value			Book Value			Fair Value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1.Financing	175,759,532		177,795			175,937,327	134,195,844					134,195,844
1.1 Repurchase agreements												
1.2 Finance leases												
1.3 Factoring	80,956,638		2,705			**80,959,343**	36,622,336					**36,622,336**
- with recourse	80,956,638		2,705			**80,959,343**	36,622,336					**36,622,336**
- without recourse												
1.4 Other financing	94,802,894		175,090			**94,977,984**	97,573,508					**97,573,508**
2. Debt instruments												
- structured securities												
- other debt instruments												
3. Other assets	4,393					4,393	84,818					84,818
Total	175,763,925		177,795			175,941,720	134,280,662					134,280,662

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 financing" 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 4,393 for receivables from Foreign Correspondents.

6.3 Due from customers

Composition	12/31/2013						12/31/2012					
	Book value			Fair Value			Book value			Fair Value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1 Financing	**1,546,230,916**		**52,138,166**			**1,598,369,082**	**1,784,134,786**		**63,680,050**			**1,847,814,836**
1.1. Finance leasing												
of which: without final purchase option												
1.2. Factoring	1,525,213,853		51,841,751			1,577,055,604	1,726,416,158		60,153,520			1,786,569,678
- with recourse	1,435,675,259		39,975,305			1,475,650,564	1,598,499,418		48,390,404			1,646,889,822
- without recourse	89,538,594		11,866,446			101,405,040	127,916,740		11,763,116			139,679,856
1.3. Consumer credit												
1.4. Credit cards												
1.5. Other financing	21,017,063		296,415			21,313,478	57,718,628		3,526,530			61,245,158
of which: enforcement of guarantees and commitments												
2. Debt instruments												
2.1. Structured securities												
2.2. Other debt instruments												
3. Other assets	**1,084**					**1,084**	**8,601**					**8,601**
Total	**1,546,232,000**		**52,138,166**			**1,598,370,166**	**1,784,143,387**		**63,680,050**			**1,847,823,437**

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

Impaired assets are recognized at their presumed collection values.

Performing “Other financing” includes:

- financing for Euro 5,579,326
- charges payable by transferred debtors on payment extensions granted to them, for Euro 1,348,616
- advances for sales of receivables which do not fall within the purview of Law 52/91, for Euro 14,064,170
- postal current accounts for Euro 24,951

Impaired “Other financing” are as follows:

- non-performing for Euro 113,095, for advances related to sales of receivables which do not fall within the purview of Law 52/91, and for Euro 12 for other financing
- doubtful for Euro 21,847 for advances related to sales of receivables which do not fall within the purview of Law 52/91, and for Euro 101,045 for fees due from assigned debtors on payments extensions granted to them
- past due for Euro 60,416 for fees due from assigned debtors

6.4 Receivables – guaranteed assets

	12/31/2013						12/31/2012					
	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 guaranteed by:	**-**	**-**	**80,102,026**	**80,098,172**	**1,417,417,951**	**1,415,322,521**	**-**	**-**	**35,903,711**	**18,618,201**	**1,576,337,107**	**1,575,009,170**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	80,102,026	80,098,172	1,414,479,458	1,412,384,028	-	-	35,903,711	18,618,201	1,572,070,735	1,570,742,798
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	2,938,493	2,938,493	-	-	-	-	4,266,372	4,266,372
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	**-**	**-**	**-**	**-**	**36,036,337**	**23,865,449**	**-**	**-**	**-**	**-**	**47,468,309**	**47,259,224**
- Leased assets	-	-	-	-	-	-	-	-	-	-	-	-
- Receivables for factoring	-	-	-	-	33,976,022	21,805,134	-	-	-	-	45,208,699	44,999,614
- Mortgages	-	-	-	-	1,552,122	1,552,122	-	-	-	-	1,598,296	1,598,296
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	508,193	508,193	-	-	-	-	661,314	661,314
- Derivatives on receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**80,102,026**	**80,098,172**	**1,453,454,288**	**1,439,187,970**	**-**	**-**	**35,903,711**	**18,618,201**	**1,623,805,416**	**1,622,268,394**

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

The table reports 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 the business segment of the party guaranteed. In the case of guarantees with a value that exceeds the amount of the asset guaranteed, the column "guarantee value" indicates the value of the asset guaranteed.

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

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

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

Section 10 *Tangible assets – Item 100*

10.1 Tangible assets with functional use: composition of assets valued at cost

Assets/Values	12/31/2013	12/31/2012
1. Assets owned by the company	**502,312**	**384,319**
a) land		
b) buildings		
c) furniture	240,889	118,087
d) electronic systems	14,335	9,635
e) other	247,088	256,597
2. Assets acquired through finance lease		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
Total	**502,312**	**384,319**

10.5 Tangible assets with functional use: annual variations

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance			**1,529,427**	**3,097,242**	**680,698**	**5,307,367**
A.1 Net total reductions in value			1,411,340	3,087,607	424,101	4,923,048
A.2 Net opening balance			**118,087**	**9,635**	**256,597**	**384,319**
B. Increases			**156,615**	**8,262**	**104,905**	**269,782**
B.1 Purchases			156,615	8,262	104,905	269,782
B.2 Capitalized expenses for improvements						
B.3 Value reinstatements						
B.4 Positive changes in fair value charged to						
a) shareholders' equity						
b) income statement						
B.5 Positive foreign exchange differences						
B.6 Transfers from real properties held for investment purposes						
B.7 Other changes						
C. Decreases			**33,813**	**3,562**	**114,414**	**151,789**
C.1 Sales					13,020	13,020
C.2 Depreciation			33,813	3,562	101,394	138,769
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 Negative exchange differences						
C.6 Transfers to:						
a) tangible assets held for investment purposes						
b) assets in the process of divestment						
C.7 Other changes						
D. Net closing balance			**240,889**	**14,335**	**247,088**	**502,312**
D.1 Net total reductions in value			1,445,153	3,091,169	500,911	5,037,233
D.2 Gross closing balance			**1,686,042**	**3,105,504**	**747,999**	**5,539,545**
E. Valuation at cost			**240,889**	**14,335**	**247,088**	**502,312**

Section 11 *Intangible assets – Item 110*

11.1 Composition of item 110 “Intangible assets”

(units of euros)	12/31/2013 Assets valued at cost	12/31/2013 Assets valued at FV	12/31/2012 Assets valued at cost	12/31/2012 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	136,592	-	144,409	-
2.2 Acquired under finance lease agreements	-	-	-	-
Total 2	**136,592**	**-**	**144,409**	**-**
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)	**1,248,218**	**-**	**1,256,035**	**-**

The amount of Euro 1,248,218 includes the residual value 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).

11.2 Intangible assets: annual variations

(units of euros)	Total
A. Opening balance	**1,256,035**
B. Increases	**43,147**
B.1 Purchases	43,147
B.2 Value reinstatements	-
B.3 Positive changes in fair value	-
- to shareholders' equity	-
- to income statement	-
B.4 Other changes	-
C. Decreases	**50,964**
C.1 Sales	-
C.2 Amortization	50,964
C.3 Value adjustments	-
+ shareholders' equity	-
+ income statement	-
C.4 Negative changes in fair value	-
- to shareholders' equity	-
- to income statement	-
C.5 Other changes	-
E. Closing balance	**1,248,218**

Section 12 *Tax Assets and Liabilities*

The 2014 stability law introduced numerous innovations for undertakings operating in the banking, finance and insurance sectors.

Deferred tax assets and deferred tax liabilities have been reported according to the balance sheet liability method set out by IAS 12, according to the specific instructions issued by Banca d'Italia.

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

Denominations	Total 12/31/2013	Total 12/31/2012
Current tax assets	20,565,145	9,706,588
Prepaid tax assets (balancing entry in equity)	47,404	78,835
Prepaid tax assets (balancing entry in income statement)	29,392,228	26,778,381
Total	**50,004,777**	**36,563,804**

The significant increase in the item "Current tax assets" compared to the previous year is primarily due to the effect of the increase of the size of IRES and IRAP tax advances due for the 2013 tax period.
Prepaid 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 (including in light of the 2014 Stability Law); they primarily regard write-downs of receivables, provisions for risks, changes in actuarial gains/losses of pension funds which occurred during the year and application of the new provisions set out in Law no. 147/2013, with particular reference to the deductibility of write-downs of receivables and losses on receivables.

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

Denominations	Total 12/31/2013	Total 12/31/2012
Current tax liabilities	16,329,761	15,597,799
Deferred tax liabilities (balancing entry in equity)	2,039,162	2,039,162
Deferred tax liabilities (balancing entry in income statement)	384,634	345,005
Total	**18,753,557**	**17,981,966**

The item "Current tax liabilities" for the year 2013 also includes what is provided by Art. 2, paragraph 2 of Law Decree no. 133 of November 30, 2013, converted with amendments by Law no. 5 of January 29, 2014, that is the application of an additional 8.5 percentage points to IRES for the tax period underway on December 31, 2013.

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 prepaid taxes (balancing entry in income statement)

(units of euros)	12/31/2013	12/31/2012
1. Opening balance	**26,778,381**	**21,143,448**
2. Increases	**4,920,064**	**7,708,547**
2.1 Prepaid taxes booked during the year	4,920,064	7,708,547
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reinstatements of value	-	-
d) other	4,920,064	7,708,547
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,306,217**	**2,073,614**
3.1 Prepaid taxes canceled during the year	2,306,217	2,073,614
a) reversals	2,306,217	2,073,614
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Final balance	**29,392,228**	**26,778,381**

Prepaid taxes recognized during the year (2) refer to prepaid taxes which emerged during the year and regard allocations to provisions for risks and changes in actuarial gains/losses of pension funds during the year, and in particular, the implementation of the new provisions set out in the 2014 Stability Law which went into effect starting in the tax period underway on December 31, 2013, for write-downs of receivables and losses on receivables.
The law provides for straight-line deductions during the year they are booked and in the four subsequent years for both IRES and IRAP.

Prepaid taxes canceled during the year (3) refer to prepaid taxes originating from previous years that were deducted in the current year and regard allocations to provisions for risks for previous years, in particular write-downs of receivables reported in the income statement exceeding the value that could be deducted prior to the changes made by the 2014 Stability Law.

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

(units of euros)	12/31/2013	12/31/2012
1. Starting balance	**24,601,540**	**19,312,490**
2. Increases	**3,788,966**	**6,474,115**
3. Decreases	**1,544,738**	**1,185,065**
3.1 Reversals	1,544,738	1,185,065
3.2 Transformation into tax credits		
a) due to losses for the year		
b) due to tax losses		
3.3 Other decreases		
4. Final balance	**26,845,768**	**24,601,540**

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

(units of euros)	12/31/2013	12/31/2012
1. Opening balance	**345,005**	**296,302**
2. Increases	**39,629**	**48,703**
2.1 Deferred taxes reported during the year	39,629	48,703
a) for previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	39,629	48,703
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 balance	**384,634**	**345,005**

12.5 Changes in prepaid taxes (balancing entry in net equity)

(units of euros)	12/31/2013	12/31/2012
1. Opening balance	**78,835**	**-**
2. Increases	**-**	**78,835**
2.1 Prepaid taxes reported during the year	-	78,835
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	**31,431**	**-**
3.1 Prepaid taxes canceled during the year	31,431	-
a) reversals	-	-
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	31,431	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
(of which due to business combinations)	-	-
4. Final balance	**47,404**	**78,835**

12.6 Change in deferred taxes (balancing entry in shareholders' equity)

(units of euros)	12/31/2013	12/31/2012
1. Opening balance	**2,039,162**	**2,039,162**
2. Increases	**-**	**-**
2.1 Prepaid 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) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reduction of tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**2,039,162**	**2,039,162**

Section 14 *Other assets – Item 140*

14.1 Composition of item 140 "Other assets"

(units of euros)	12/31/2013	12/31/2012
Tax credits (not classifiable as tax assets)	583,944	564,999
Items in progress	1,934,390	1,031,840
Advances to suppliers	-	3,076
Pre-payments and accrued income not recognized under specific item	794,830	821,601
Other items	1,886,336	973,979
Total	**5,199,500**	**3,395,495**

The item “Tax Credits” includes the amount of Euro 244,523 for virtual stamp duty, including a residual Euro 6,690 for the advance for the year 2013 paid on April 13, 2012 and Euro 237,833 for the advance for 2014 paid on April 16, 2013.
The 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.

Under “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)	12/31/2013			12/31/2012		
	Due to banks	Due to financial institutions	Due to customers	Due to banks	Due to financial institutions	Due to customers
1. Financing	**1,578,899,748**	**-**	**-**	**1,814,072,390**	**-**	**-**
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	1,578,899,748	-	-	1,814,072,390	-	-
2. Other payables	**7,784,059**	**371,298**	**875,186**	**7,427,083**	**381,423**	**782,471**
Total	**1,586,683,807**	**371,298**	**875,186**	**1,821,499,473**	**381,423**	**782,471**
Fair Value Level 1						
Fair Value Level 2						
Fair Value Level 3	**1,586,683,807**	**371,298**	**875,186**	**1,821,499,473**	**381,423**	**782,471**
Fair Value Total	**1,586,683,807**	**371,298**	**875,186**	**1,821,499,473**	**381,423**	**782,471**

The fair value of payables due to credit institutions, financial institutions and customers is assumed to be the face value, as these are on demand and short-term financial liabilities.

The amount due to banks refers to:

Technical form	Amount
Current account exposures on demand	2,953,752
Advances subject to collection on cash orders or direct debits	108,872,847
Expiring short-term overdraft facility	75,000,000
Commissions to book	2,613,338
Supplier invoices and supplier invoices to be received	1,487,068
Payables to parent company	1,393,261,884
Accrued liabilities on short-term overdraft facilities	27,633
Payables to principals	2,467,285
Total	**1,586,683,807**

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 composed of payables for factoring which regard receivables from assigned debtors reported in the financial statements.

Section 7 *Tax liabilities – Item 70*

Details for this Section have been provided in Section 12 of Assets.

Section 9 *Other liabilities – Item 90*

9.1 Composition of item 90 "Other liabilities"

(units of euros)	12/31/2013	12/31/2012
Taxes payable to revenue authorities	559,256	590,887
Payables due to personnel	159,595	209,019
Payables due to social security institutions	550,877	605,547
Suppliers	1,441,871	955,236
Invoices to be received	1,480,699	1,121,450
Other credits in progress	18,925,902	12,857,961
Provision for guarantees and commitments	2,127,896	2,387,391
On demand payables to customers	4,784,926	5,462,200
Other items	5,012,101	3,063,682
Total	**35,043,123**	**27,253,373**

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

- Euro 16,354,741 for direct remittances received but not yet charged to the pertinent items
- Euro 2,571,161 for bills yet to be credited

The item "Other items" is comprised as follows:

- Euro 2,834,029 for deferred income due to accrual-based attribution in relation to the duration of the underlying receivable of commissions invoiced to customers
- Euro 2,178,072 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)	12/31/2013	12/31/2012
A. Opening balance	**2,233,450**	**1,948,599**
B. Increases	**52,151**	**422,198**
B.1 Allocation for the year	52,151	135,524
B.2 Other increases	-	286,674
C. Decreases	**162,247**	**137,347**
C.1 Payments made	43,398	84,370
C.2 Other decreases	118,849	52,977
D. Closing balance	**2,123,354**	**2,233,450**

As the provisions for employee severance pay qualify as defined-benefit plans under IAS 19, they have been valued using the projected unit credit method.
The actuarial calculation makes the following assumptions:

	12/31/2013	12/31/2012
Technical discount rate	3.00%	2.70%
Annual inflation rate	1.50%	2.00%
Annual increase in severance pay	2.65%	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)	12/31/2013	12/31/2012
1. Company retirement funds	-	-
2. Other provisions for risks and charges	7,128,307	5,528,393
2.1 Legal disputes	5,955,215	4,288,000
2.2 Personnel charges	1,173,092	1,240,393
2.3 Other	-	-
Total	**7,128,307**	**5,528,393**

The item "Legal disputes" is comprised of:

- Revocatory actions for Euro 784,215
- Lawsuits against the company for Euro 5,171,000

The item "Personnel charges" is comprised of:

- Personnel training for Euro 108,103
- Other personnel expenses for Euro 1,064,989

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

(units of euros)	Retirement funds	Other provisions	12/31/2013
A. Opening balance	**-**	**5,528,393**	**5,528,393**
B. Increases	**-**	**2,888,557**	**2,888,557**
B.1 Allocations for the year	-	2,888,557	2,888,557
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to fluctuations in discount rate	-	-	-
B.4 Other changes	-	-	-
C. Decreases	**-**	**1,288,643**	**1,288,643**
C.1 Utilization during the year	-	733,249	733,249
C.2 Changes due to fluctuations in discount rate	-	-	-
C.3 Other changes	-	555,394	555,394
D. Closing balance	**-**	**7,128,307**	**7,128,307**

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

12.1 Composition of item 120 "Share capital"

Categories	12/31/2013
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 face value of 1 Euro.

12.2 Composition of item 130 "Treasury shares"

As of 12/31/2013 and 12/31/2012 Factorit S.p.A. held no treasury shares.

12.3 Composition of item 140 "Equities"

As of 12/31/2013 and 12/31/2012 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.

Nature *(units of euros)*	Amount	Utilization	Amount available	Summary of utilization in the three previous years	
				To cover losses	For other reasons
Share capital	85,000,002	-	-	-	-
Capital reserves	-	-	-	-	-
Net income reserves					
Legal reserve	7,592,059	B	-	-	-
Share premium reserve	11,030,364	A-B	9,407,941	-	-
Share premium reserve	-	A-B-C	1,622,423	-	-
Other reserves	67,771,316	A-B-C	67,771,316	-	-
Net income carried forward	237,390	A-B-C	237,390	-	-
Total	**171,631,131**		**79,039,070**	**-**	**-**
Non-distributable amount	**-**	**-**	**9,407,941**	**-**	**-**
Residual distributable amount	**-**	**-**	**69,631,129**	**-**	**-**

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 -53,420 Euro 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 similar income"

(units of euros)	Debt instruments	Financing	Other operations	12/31/2013	12/31/2012
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	-	59,681,275	-	59,681,275	62,879,889
5.1 Receivables due from banks	-	32,440	-	32,440	56,591
5.2 Receivables due from financial institutions	-	4,140,695	-	4,140,695	2,499,835
5.3 Receivables due from customers	-	55,508,140	-	55,508,140	60,323,463
6. Other assets	-	-	300	300	-
7. Hedging derivatives	-	-	-	-	-
Total	-	59,681,275	300	59,681,575	62,879,889

1.2 Interest receivable and similar income: other information

Interest receivable on financial assets for receivables due from customers come to Euro 1,013,166 (Euro 1,041,803 in 2012).

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

(units of euros)	Financing	Securities	Other operations	12/31/2013	12/31/2012
1. Payables due to banks	(18,019,951)		-	(18,019,951)	(22,445,799)
2. Payables due to financial institutions	-		-	-	-
3. Payables due to customers	-		-	-	-
4. Securities issued		-	-	-	-
5. Financial liabilities from trading	-	-	-	-	-
6. Financial liabilities valued at fair value	-	-	-	-	-
7. Other liabilities and funds			(6)	(6)	(39,540)
8. Hedging derivatives			-	-	-
Total	(18,019,951)	-	(6)	(18,019,957)	(22,485,339)

Section 2 *Commissions – Items 30 and 40*

2.1 Composition of item 30 “Commissions income”

(units of euros)	12/31/2013	12/31/2012
1. Finance lease transactions	-	-
2. Factoring transactions	30,631,026	36,962,760
3. Consumer credit	-	-
4. Merchant banking activities	-	-
5. Guarantees issued	-	-
6. Services relative to:	-	-
- fund management and payment	-	-
- foreign currency trading	-	-
- distribution of products	-	-
- other	-	-
7. Collection and payment services	-	-
8. Servicing for securitization operations	-	-
9. Other commissions	2,533,211	1,965,132
Total	33,164,237	38,927,892

Starting with the current year, as part of its factoring accounting, the company uses a computer application that makes it possible to allocate one-time commissions based on the duration of receivables sold. At December 31, 2013 the amount reported came to Euro 2,834,029. It was not possible to compare the data with the previous year. 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)	12/31/2013	12/31/2012
1. Guarantees received	(204,451)	(165,645)
2. Distribution of services by third parties		
3. Collection and payment services		
4. Other commissions	(5,606,989)	(6,120,087)
4.1 Leasing operations		
4.2 Factoring operations	(3,939,934)	(4,150,989)
4.3 Other	(1,667,055)	(1,969,098)
Total	(5,811,440)	(6,285,732)

Similar to what was reported under item 30, commissions expense that are based on one-time commissions income are allocated using the same criteria. At December 31, 2013 the amount reported came to Euro 181,531.

Section 4 *Net result from trading – Item 60*

4.1 Composition of item 60 “Result from trading”

The item shows the amount of Euro -27,528 in point 3 “Other financial assets and liabilities: foreign exchange difference.”

Section 8 *Net value adjustments due to impairment – Item 100*

8.1 "Net value adjustments for impairment of receivables"

	Value adjustments		Reinstatements of value		12/31/2013	12/31/2012
	Specific	Portfolio	Specific	Portfolio		
1. Receivables due from banks						
- for leasing						
- for factoring						
- other receivables						
2. Receivables due from financial institutions				**6,536**	**6,536**	**(175,039)**
Impaired receivables purchased						
- for leasing						
- for factoring						
- other receivables						
Other receivables				**6,536**	**6,536**	**(175,039)**
- for leasing						
- for factoring				6,536	6,536	(175,039)
- other receivables						
3. Receivables due from customers	**(23,955,184)**		**6,023,780**	**3,603,103**	**(14,328,301)**	**(27,901,653**
Impaired receivables purchased						
- for leasing						
- for factoring						
- for consumer credit						
- other receivables						
Other receivables	(23,955,184)		**6,023,780**	**3,603,103**	**(14,328,301)**	**(27,901,653)**
- for leasing						
- for factoring	(23,741,993)		5,388,517	2,686,431	(15,667,045)	(27,042,604)
- for consumer credit						
- other receivables	(213,191)		635,263	916,672	1,338,744	(859,049)
Total	**(23,955,184)**		**6,023,780**	**3,609,639**	**(14,321,765)**	**(28,076,692)**

The table expresses the amount charged to the income statement as a result of and in relation to the process of valuating the receivables portfolio.

As already reported in the accounting principles, the item includes the effect of the increase in the write-down percentages for objectively impaired exposures and past due items for approximately Euro 437,000.

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

	Value adjustments		Reinstatements of value		Total	
(units of euros)	Specific	Portfolio	Specific	Portfolio	12/31/2013	12/31/2012
A. Guarantees issued	(1,186,714)	-	1,446,209	-	259,495	(858,744)
B. Derivatives on receivables	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-
D. Other operations	-	-	-	-	-	-
E. Total	**(1,186,714)**	**-**	**1,446,209**	**-**	**259,495**	**(858,744)**

Section 9 *Administrative expenses – Item 110*

9.1 Composition of item 110.a "Personnel expenses"

(units of euros)	12/31/2013	12/31/2012
1. Employees	**(11,850,343)**	**(11,133,601)**
a) Wages and salaries	(8,210,007)	(7,719,169)
b) Social charges	(2,348,625)	(2,263,189)
c) Severance pay	-	-
d) Social security expenses	-	-
e) Allocation to employee severance pay	(52,151)	(135,526)
f) Allocation to provisions for retirement pay and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) Payments to complementary outside pension funds:	(650,852)	(630,661)
- defined contribution	(650,852)	(630,661)
- defined benefits	-	-
h) Other expenses	(588,708)	(385,056)
2. Other personnel currently employed	**(167,650)**	**(101,718)**
3. Directors and auditors	**(316,738)**	**(282,457)**
4. Retired personnel	**-**	**-**
5. Recovery of expenses for employees seconded to other companies	**73,723**	**50,256**
6. Reimbursements of expenses for third party employees seconded to the company	**(84,362)**	**(78,350)**
Total	**(12,345,370)**	**(11,545,870)**

The sub-item "Directors and auditors" includes the premium, equal to Euro 46,455, for the "Civil liability policy" for directors and auditors for risk coverage.

9.2 Average number of employees by category

STAFF	12/31/2013		12/31/2012	
	Average	Year End	Average	Year End
Employees	**160**	**164**	**154**	**160**
a) executives	5	5	4	4
b) mid-level managers	65	65	64	64
of which levels 3 and 4	39	40	39	38
c) remaining employees	90	94	86	92
Other personnel	**14**	**10**	**11**	**13**

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

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

(units of euros)	12/31/2013	12/31/2012
Expenses related to real property:	(1,527,985)	(1,182,324)
- rents and building maintenance	(1,481,052)	(1,142,848)
- energy, water and heating	(46,933)	(39,476)
Indirect duties and taxes	(1,945,082)	(2,018,726)
Postal, telephone, printing and other office expenses	(457,085)	(491,807)
Maintenance and charges for furniture, equipment and systems	(310,966)	(480,680)
Professional services and consulting	(404,739)	(312,450)
Legal expenses	(2,991,680)	(3,125,281)
Advertising, entertainment and gifts	(78,980)	(130,061)
Insurance premiums	(68,541)	(112,870)
Transport, rentals and travel	(514,111)	(474,579)
Outsourced activities	(1,249,610)	(1,101,959)
Data registration with third parties	(556,957)	(549,740)
Memberships	(65,980)	(48,968)
Other costs and sundry expenses	(388,655)	(289,294)
Total	**(10,560,371)**	**(10,318,739)**

As a result of greater detail in the item – see sub-item "Memberships" and "Data registration with third parties" – the two amounts were reclassified for 2012, deducting them from the sub-item "Other costs and sundry expenses."

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

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

(units of euros)	Depreciation (a)	Value adjustments for impairment (b)	Reinstatements of value (c)	Net result (a+b-c)
1. Functional assets	**(138,769)**	**-**	**-**	**(138,769)**
1.1 Owned by the company	(138,769)		-	(138,769)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(33,813)	-	-	(33,813)
d) capital equipment	(3,562)	-	-	(3,562)
e) other	(101,394)	-	-	(101,394)
1.2 Acquired under financial leasing agreements	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital equipment	-	-	-	-
e) other	-	-	-	-
2. Assets held for investment purposes	**-**	**-**	**-**	**-**
3. Total	(138,769)	-	-	(138,769)

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

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

(units of euros)	Amortization (a)	Value adjustments for impairment (b)	Value reinstatements (c)	Net result (a+b-c)
1. Goodwill	-	-	-	-
2. Other intangible assets	(50,964)	-	-	(50,964)
2.1 owned by the company	(50,964)	-	-	(50,964)
2.2 acquired through financial leasing agreements	-	-	-	-
3. Assets related to financial leasing	-	-	-	-
4. Assets granted with operating leases				
Total	(50,964)	-	-	(50,964)

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	12/31/2013	12/31/2012
1. Allocations to retirement fund				
2. Allocations to other provisions for risks and charges:	(2,101,500)	266,000	(1,835,500)	(893,530)
a) legal disputes	(2,101,500)	266,000	(1,835,500)	(893,530)
b) charges for personnel				
c) other				
Total	(2,101,500)	266,000	(1,835,500)	(893,530)

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

14.1 Composition of item 160 "Other operating income"

(units of euros)	12/31/2013	12/31/2012
b) tax recovery	220,302	189,183
c) expense recovery	1,301,868	1,401,819
d) proceeds for IT services rendered	842,641	814,803
f) other	1,145,018	955,907
Total	3,509,829	3,361,712

The sub-item "Other" includes Euro 97,826 in revenues for activities connected to factoring and other transfers.

14.2 Composition of item 160 "Other operating expenses"

(units of euros)	12/31/2013	12/31/2012
b) other	(400,863)	(253,628)
Total	(400,863)	(253,628)

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

(units of euros)	12/31/2013	12/31/2012
A. Real estate	**-**	**-**
- Net income from sales	-	-
- Losses from sales	-	-
B. Other assets	**4,508**	**-**
- Net income from sales	4,508	-
- Losses from sales	-	-
Net result	**4,508**	**-**

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

For fiscal year 2013 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	12/31/2013	12/31/2012
1. Current taxes (-)	(16,329,761)	(15,869,284)
2. Change in current taxes from previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)	-	557,541
3.bis Reduction in current taxes for the year for tax credits pursuant to Law no. 214/2011		
4. Variation in prepaid taxes (+/-)	2,613,847	5,634,933
5. Variation in deferred taxes (+/-)	(39,629)	(48,703)
6. Taxes pertinent to the year (-) (-1+/-2+3/-4+/-5)	(13,755,543)	(9,725,513)

Current taxes include IRES of 27.50%, the additional IRES provided by Decree Law no. 133/2013 at 8.50%, and IRAP at 5.57%.

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

COMPANY INCOME TAXES	IRES		IRAP		
(units of euros)	Taxable	Tax	Taxable	Tax	Total
Theoretical tax charge	33,107,117	11,918,562	33,107,117	1,844,066	
Tax credit	-	-	-	-	
Permanent increases	1,492,735	537,385	30,256,634	1,685,295	
Permanent decreases	(1,690,432)	(608,556)	(7,867,010)	(438,192)	
Temporary increases	4,113,080	1,480,709	-	-	
Temporary increases (for the year pursuant to Law 214/2011)	11,457,412	3,150,788	11,457,412	638,178	
Temporary decreases	(8,537,127)	(3,073,366)	(14,454,361)	(805,109)	
Effective tax charge	**39,942,785**	**13,405,523**	**52,499,792**	**2,924,238**	**(16,329,761)**

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

There are no figures reported for this section.

Section 19 *Income statement – other information*

19.1 Analytical composition of interest and commission income

(units of euros)	Interest income			Commission income			12/31/2013	12/31/2012
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital equipment	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**-**	**4,140,695**	**55,508,140**	**23,777**	**1,898,376**	**31,242,084**	**92,813,072**	**101,751,190**
- on current receivables	-	1,048,186	48,096,244	-	125,453	30,420,680	79,690,563	88,048,631
- on future receivables	-	-	665,534	-	-	84,893	750,427	1,138,572
- on receivables purchased on a permanent basis	-	-	-	-	-	-	-	-
- on receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- for other financing	-	3,092,509	6,746,362	23,777	1,772,923	736,511	12,372,082	12,563,987
3. Consumer credit	**-**	**-**		**-**	**-**	**-**	**-**	**-**
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**-**	**4,140,695**	**55,508,140**	**23,777**	**1,898,376**	**31,242,084**	**92,813,072**	**101,751,190**

19.2 Other information

Analytical composition of interest payable and similar expense

Technical form	Amount
Current account overdrafts	(4,441,790)
Advances subject to collection	(518,661)
Short-term overdrafts	(12,394,762)
Advances in foreign currencies	(663,810)
Contingent losses and other interest payable	(934)
Total	**(18,019,957)**

PART D Other information

Section 1 *Details on activities*

B. FACTORING AND SALE OF RECEIVABLES

B.1 – Gross value and book value

B.1.1 – Factoring operations

(units of euros)	12/31/2013			12/31/2012		
	Gross value	Adjustments of value	Total	Gross value	Adjustments of value	Total
1. Performing assets	**1,618,842,587**	**12,062,938**	**1,606,779,649**	**1,774,319,103**	**11,280,609**	**1,763,038,494**
- exposures to transferors (with recourse)	1,527,999,275	11,367,378	1,516,631,897	1,645,531,495	10,409,741	1,635,121,754
- sales of future receivables	20,810,826	214,719	20,596,107	25,506,409	56,096	25,450,313
- other	1,507,188,449	11,152,659	1,496,035,790	1,620,025,086	10,353,645	1,609,671,441
- exposures to debtors transferred (without	90,843,312	695,560	90,147,752	128,787,608	870,868	127,916,740
2. Impaired assets	**117,135,422**	**65,290,966**	**51,844,456**	**125,864,038**	**65,710,518**	**60,153,520**
2.1 Non-performing	52,070,433	43,097,238	8,973,195	52,469,283	46,063,532	,405,751
- exposures to transferors (with recourse)	45,411,266	36,438,071	8,973,195	46,208,036	39,802,285	6,405,751
- sales of future receivables	1,270,549	1,127,588	142,961	1,269,147	1,127,586	141,561
- other	44,140,717	35,310,483	8,830,234	44,938,889	38,674,699	6,264,190
- exposures to debtors transferred (without	6,659,167	6,659,167	-	6,261,247	6,261,247	-
- acquired for less than face value	-	-	-	-	-	-
- other	6,659,167	6,659,167	-	6,261,247	6,261,247	-
2.2 Doubtful	52,604,808	20,186,553	32,418,255	57,710,061	19,014,935	38,695,126
- exposures to transferors (with recourse)	37,650,542	16,134,846	21,515,696	42,837,488	15,785,650	27,051,838
- sales of future receivables	130,697	56,337	74,360	140,124	57,274	82,850
- other	37,519,845	16,078,509	21,441,336	42,697,364	15,728,376	26,968,988
- exposures to transferred debtors (without	14,954,266	4,051,707	10,902,559	14,872,573	3,229,285	11,643,288
- acquisitions at less than face value	-	-	-	-	-	-
- other	14,954,266	4,051,707	10,902,559	14,872,573	3,229,285	11,643,288
2.3 Restructured exposures	9,812,220	1,768,859	8,043,361	-	-	-
- exposures to transferors (with recourse)	9,812,220	1,768,859	8,043,361	-	-	-
- sales of future receivables	-	-	-	-	-	-
- other	9,812,220	1,768,859	8,043,361	-	-	-
- exposures to transferred debtors (without	-	-	-	-	-	-
- acquired at less than face value	-	-	-	-	-	-
- other	-	-	-	-	-	-
2.4 Past due exposures	2,647,961	238,316	2,409,645	15,684,694	632,051	15,052,643
- exposures to transferors (with recourse)	1,588,745	142,987	1,445,758	15,551,316	618,501	14,932,815
- sales of future receivables	-	-	-	-	-	-
- other	1,588,745	142,987	1,445,758	15,551,316	618,501	14,932,815
- exposures to transferred debtors (without	1,059,216	95,329	963,887	133,378	13,550	119,828
- acquired at less than face value	-	-	-	-	-	-
- other	1,059,216	95,329	963,887	133,378	13,550	119,828
Total	**1,735,978,009**	**77,353,904**	**1,658,624,105**	**1,900,183,141**	**76,991,127**	**1,823,192,014**

The table provides details on the value of receivables recognized under item 60 of Assets, with reference to the specific business of factoring.

Receivables are subdivided into performing and impaired receivables and are classified according to the type of counterparty: transferor and transferred debtor.

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

For purposes of completion, the following table provides details on advances related to sales of receivables which do not fall within the purview of Law 52/91.

Items/Values	12/31/2013			12/31/2012		
	Gross value	Adjustments of value	Net value	Gross value	Adjustments of value	Net value
1. Performing assets	109,934,841	1,067,783	108,867,059	113,201,557	728,583	112,472,974
2. Impaired assets	1,553,958	1,243,925	310,032	5,290,883	1,950,861	3,340,022
2.1 Non-performing	1,178,699	1,065,603	113,096	1,178,698	1,064,287	114,411
2.2 Doubtful	375,259	178,322	196,936	4,112,185	886,574	3,225,611
Total	**111,488,799**	**2,311,708**	**109,177,091**	**118,492,440**	**2,679,444**	**115,812,996**

B.2 – Breakdown by residual life

If not impaired, overdue receivables 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

	12/31/2013		12/31/2012	
(units of euros)	Advances	Total receivables	Advances	Total receivables
- on demand	224,530,507	531,791,450	233,062,882	639,209,019
- up to 3 months	1,160,213,035	1,614,646,559	1,217,916,386	1,793,292,371
- 3 months to 6 months	108,341,889	201,146,446	120,008,550	236,752,435
- over 6 months to 1 year	33,948,416	26,174,238	77,808,056	51,190,438
- over 1 year	29,576,060	14,465,685	34,716,284	18,336,113
- indefinite duration	-	-	-	-
Total	**1,556,609,907**	**2,388,224,378**	**1,683,512,158**	**2,738,780,376**

The table provides details for the figures indicated in Table B.1 above, with regard solely to receivables claimed from transferors, and does not include operations which do not fall within the purview of Law 52/91.
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 181,829,573 on December 31, 2013.

B.2.2 – Factoring operations without recourse - exposures

	Exposures	
(units of euros)	12/31/2013	12/31/2012
- on demand	5,866,232	13,584,990
- up to 3 months	31,140,808	50,040,900
- 3 months to 6 months	29,480,347	64,330,646
- 6 months to 1 year	24,737,508	444,392
- over 1 year	10,789,303	11,278,928
- indefinite duration	-	-
Total	**102,014,198**	**139,679,856**

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 variations in adjustments of value (specific and portfolio) on exposures to transferors and transferred debtors which occurred 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). Adjustments in value, calculated on exposures classified as impaired, are by law always indicated as specific adjustments in value.

Financial assets were canceled following credit extinguishing 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	**65,710,518**	**23,741,993**	**-**	**5,206,633**	**-**	**5,388,517**	**-**	**8,681,929**	**15,297,732**	**-**	**65,290,966**
Exposure to transferors	**56,206,436**	**18,871,687**	**-**	**4,646,588**	**-**	**4,741,451**	**-**	**8,042,491**	**12,456,006**	**-**	**54,484,763**
- Non-performing	39,802,285	10,372,018	-	4,007,401	-	3,887,946	-	1,481,123	12,374,564	-	36,438,071
- Doubtful	15,785,650	6,870,255	-	347,972	-	844,722	-	5,942,867	81,442	-	16,134,846
- Restructured exposures	-	1,506,617	-	262,242	-	-	-	-	-	-	1,768,859
- Past due exposures	618,501	122,797	-	28,973	-	8,783	-	618,501	-	-	142,987
Exposures to debtors transferred	**9,504,082**	**4,870,306**	**-**	**560,045**	**-**	**647,066**	**-**	**639,438**	**2,841,726**	**-**	**10,806,203**
- Non-performing	6,261,247	3,172,362	-	550,016	-	627,670	-	7,047	2,689,741	-	6,659,167
- Doubtful	3,229,285	1,623,967	-	-	-	17,172	-	632,388	151,985	-	4,051,707
- Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
- Past due exposures	13,550	73,977	-	10,029	-	2,224	-	3	-	-	95,329
Portfolio for other assets	**11,280,609**	**-**	**-**	**3,899,321**	**-**	**2,692,967**	**-**	**424,025**	**-**	**-**	**12,062,938**
- Exposures to transferors	10,409,741	-	-	3,809,898	-	2,438,265	-	413,996	-	-	11,367,378
- Exposures to debtors	870,868	-	-	89,423	-	254,702	-	10,029	-	-	695,560
Total	**76,991,127**	**23,741,993**	**-**	**9,105,954**	**-**	**8,081,484**	**-**	**9,105,954**	**15,297,732**	**-**	**77,353,904**

B.4 – Other information

B.4.1 – Turnover of receivables subject to factoring operations

(units of euros)	12/31/2013	12/31/2012
Operations without recourse	214,751,203	212,435,968
- of which acquired for less than their face value	-	-
Operations with recourse	9,258,564,581	9,118,564,393
Total	**9,473,315,784**	**9,331,000,361**

The table shows the face value of receivables acquired during the year (turnover) for factoring operations, divided into recognized non-recourse operations and recourse/non-recourse formal operations.

The following table reports details of turnover for "other sales."

(units of euros)	12/31/2013	12/31/2012
- without recourse		
- with recourse	18,866,253	187,455,754
	18,866,253	**187,455,754**

B.4.2 – Collection-only services

The Company did not perform collection-only services in 2013 and 2012.

B.4.3 – Face value of contracts for the purchase of future receivables

(units of euros)	12/31/2013	12/31/2012
- Flow of future receivable purchase contracts during the year	145,283,767	253,956,487
- Amount of receivables at year end	151,024,193	410,079,425

D. – Guarantees given and commitments

D.1 – Value of guarantees given and commitments

	12/31/2013	12/31/2012
1) On demand financial guarantees given	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
2) Other on demand financial guarantees given	-	-
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
3) Commercial guarantees given	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
4) Irrevocable commitments to disburse funds	**253,927,927**	**346,572,701**
a) Banks	6,473	-
i) for specified use	-	-
ii) for unspecified use	6,473	-
b) Financial institutions	16,419	247,131
i) for specified use	-	-
ii) for unspecified use	16,419	247,131
c) Customers	253,905,035	346,325,570
i) for specified use	2,799,404	5,971,225
ii) for unspecified use	251,105,631	340,354,345
5) Commitments underlying credit derivatives: sales of protection	-	-
6) Assets pledged as collateral for third party obligations	-	-
7) Other irrevocable commitments	**-**	**-**
a) to issue guarantees	-	-
b) other	-	-
Total	**253,927,927**	**346,572,701**

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

Euro 251,128,523 is for irrevocable commitments with unspecified use, as the commitments to disburse funds is optional in nature; in this case it is not certain whether and to what extent the funds will effectively be disbursed.

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

No figures are reported.

Section 3 *Information on risks and the 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. Constant modifications in the credit disbursement, management and monitoring process, based on the different counterparties involved, make it possible for the company to contain this type of risk.

Credit quality is controlled by monitoring both specific counterparty risk (transferor and transferred debtor) as well as portfolio risk.
With regard to the specific credit risk component, the procedures currently used make it possible to assess a risk profile for a single party (transferor and transferred debtor) and the parties connected to such, quantifying the total potential risk related to the parties financed.
With regard to the portfolio credit risk component, in the past there has been a particular focus on the concentration risk, which involves exposures to major economic and/or legal groups.
This analysis is also performed for positions shared with the parent company Banca Popolare di Sondrio, for which it values the total amount of exposures in existence.

2. Credit risk management policies

2.1 Organizational aspects

The Factorit lending process is governed by the Credit Regulations issued by the company board of directors, which is in harmony with the credit regulations in effect at the parent company Banca Popolare di Sondrio, which are the reference model for the regulations of 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 screening 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 (transferors and transferred debtors) and the level of financial risk deriving from any failure to repay the credit granted on the agreed due dates.

The credit process system is set up into logical phases that can be broken down by the parties involved (transferors and transferred debtors) and 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 consists of a series of activities, which involve 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 line of credit.
The credit is granted 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.

Lines of credit 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 resulting from the assumption of the risk does not exceed the maximum limits that the Regulatory provisions set on a time by time basis for each individual customer or group of related customers.

Review of credit lines and monitoring

Credit positions are classified into the different categories of risk anticipated at the company level, and in accordance with the general principles governed by the Regulatory Instructions.
These categories, which are based on the various problems that may arise, make it possible to classify positions in order of increasing seriousness of problems. 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 based on the type of operation and the customer’s exposure, as well as the opinion or report from the structures responsible for managing relations with transferring customers or with debtors.

2.2 Management, measurement, and control systems

Generally speaking, credit disbursement processes are automated for assessments of minor debtors, while they are discretionary and centralized at the head office for risk assessments that involve more important transferors and more significant amounts.
Additionally, the parent company takes on a coordination role and prepares obligatory opinions for loan requests that exceed its established limits.

2.3 Credit risk mitigation techniques

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

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

- limiting the credit risk assumed for each debtor
- acquisition of direct or collateral guarantees
- the implementation of allowances
- limiting the risk in relation to volumes of assets brokered and the profitability of the relationship (maximum annual ceiling)
- the transferor's transfer obligations
- hedging by means of insuring 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 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 transferred debtors, transferors, and any guarantors
- in the case of previously classified positions, verification that the debtors have honored their commitments
- regular verification of the correctness of the classification and analytical estimation of the losses 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	Impaired past due exposures	Non-impaired past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-		-	-
2. Financial assets valued at fair value	-	-	-	-		-	-
3. Financial assets available for sale	-	-	-	-		-	-
4. Financial assets held until maturity	-	-	-	-		-	-
5. Receivables due from banks	-	-	-	-		8,441,657	8,441,657
6. Receivables due from financial institutions	-	177,795	-	-	7,223,379	168,540,546	175,941,720
7. Receivables due from customers	9,086,300	32,538,443	8,043,361	2,470,062	132,267,039	1,413,964,961	1,598,370,166
8. Hedging derivatives	-	-	-	-		-	-
12/31/2013	9,086,300	32,716,238	8,043,361	2,470,062	139,490,418	1,590,947,164	1,782,753,543
12/31/2012	6,520,177	42,076,319	-	15,083,554	161,426,104	1,786,447,609	2,011,553,763

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	**119,797,175**	**67,659,009**	**-**	**52,138,166**
a) Non-performing	54,118,100	45,031,800	-	9,086,300
b) Doubtful	53,151,903	20,613,460	-	32,538,443
c) Restructured exposures	9,812,220	1,768,859	-	8,043,361
d) Past due exposures	2,714,952	244,890	-	2,470,062
Off-balance sheet exposures	**4,927,300**	**2,127,896**	**-**	**2,799,404**
a) Non-performing	530,699	530,699	-	-
b) Doubtful	2,789,450	1,597,197	-	1,192,253
c) Restructured exposures	-	-	-	-
d) Past due exposures	1,607,151	-	-	1,607,151
Total A	**124,724,475**	**69,786,905**	**-**	**54,937,570**
B. Performing exposures				
- Past due exposures not impaired	133,149,214	-	882,175	132,267,039
- Other exposures	1,675,631,747	-	10,561,155	1,665,070,592
Total B	**1,808,780,961**	**-**	**11,443,330**	**1,797,337,631**
Total A+B	**1,933,505,436**	**69,786,905**	**11,443,330**	**1,852,275,201**

"Other exposures" are comprised of:

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- On-balance sheet exposures	1,424,526,116	-	10,561,155	1,413,964,961
- Off-balance sheet exposures	251,105,631	-	-	251,105,631
Total	**1,675,631,747**	**-**	**10,561,155**	**1,665,070,592**

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	132,616,989	-	878,188	131,738,801
- over 3 months to 6 months	228,882	-	2,011	226,871
- over 6 months to 1 year	197,792	-	1,243	196,549
- over 1 year	105,551	-	733	104,818
Total	**133,149,214**	**-**	**882,175**	**132,267,039**

2.2 Credit exposure 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	**295,812**	**118,017**	**-**	**177,795**
a) Non-performing	-	-	-	-
b) Doubtful	295,812	118,017	-	177,795
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	**295,812**	**118,017**	**-**	**177,795**
B. Performing exposures				
- Past due exposures not impaired	7,294,917	-	71,538	7,223,379
- Other exposures	178,676,337	-	1,671,242	177,005,095
Total B	**185,971,254**	**-**	**1,742,780**	**184,228,474**
Total A+B	**186,267,066**	**118,017**	**1,742,780**	**184,406,269**

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

(units of euros)	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
- up to 3 months	7,247,296	-	71,104	7,176,192
- 3 months to 6 months	-	-	-	-
- over 6 months to 1 year	-	-	-	-
- over 1 year	47,621	-	434	47,187
Total	**7,294,917**	**-**	**71,538**	**7,223,379**

3. Concentration of credit

3.1 Distribution of on-balance sheet and off-balance sheet financing by counterparty's sector of business activity

The values expressed in the following table refer solely to the "customer" counterparty.

	Governments and central banks			Other public bodies			Insurance companies			Non-financial companies			Other parties		
(units of euros)	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments	Net exposure	Specific value adjustments	Portfolio value adjustments
A. On–balance sheet exposures															
A.1 Non-performing	-	-	X	-	275,631	X	-	-	X	9,086,300	44,756,169	X	-	-	X
A.2 Doubtful	9,983,487	2,904,268	X	159,298	182,511	X	-	-	X	22,393,932	17,521,672	X	1,726	5,009	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	8,043,361	1,768,859	X	-	-	X
A.4 Past due exposures	-	-	X	131,874	13,041	X	-	-	X	2,338,188	231,849	X	-	-	X
A.5 Other exposures	-	X	-	99,805	X	218	-	X	-	1,541,118,635	X	11,428,891	5,013,560	X	14,221
Total A	**9,983,487**	**2,904,268**	**-**	**390,977**	**471,183**	**218**	**-**	**-**	**-**	**1,582,980,416**	**64,278,549**	**11,428,891**	**5,015,286**	**5,009**	**14,221**
B. Off-balance sheet exposures															
B.1 Non-performing											530,699				
B.2 Doubtful										1,123,104	1,550,258		69,149	46,939	
B.3 Other impaired assets										1,607,151					
B.4 Other exposures	60,767,542			2,153,635						187,745,653			438,801		
Total B	**60,767,542**			**2,153,635**						**190,475,908**	**2,080,957**		**507,950**	**46,939**	
Total 12/31/2013	**70,751,029**	**2,904,268**	**-**	**2,544,612**	**471,183**	**218**	**-**	**-**	**-**	**1,773,456,324**	**66,359,506**	**11,428,891**	**5,523,236**	**51,948**	**14,221**
Total 12/31/2012	**65,600,556**	**2,332,361**	**-**	**4,637,760**	**409,064**	**138**	**37**	**-**	**-**	**2,116,854,157**	**68,998,313**	**11,342,965**	**7,056,534**	**24,760**	**53,498**

3.2 Distribution of on-balance sheet and off-balance sheet financing by counterparty's geographical area

The values expressed in the table below refer solely to the "customer" counterparty.

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	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure
A. On-balance sheet exposures										
A.1 Non-performing	9,086,300	44,490,498		541,302						
A.2 Doubtful	32,538,443	20,579,727		33,733						
A.3 Restructured exposures	8,043,361	1,768,859								
A.4 Past due exposures	2,470,016	244,885	46	5						
A.5 Other exposures	1,379,209,180	11,203,541	147,591,289	185,778	11,130,568	18,102	8,300,963	35,909		
Total A	**1,431,347,300**	**78,287,510**	**147,591,335**	**760,818**	**11,130,568**	**18,102**	**8,300,963**	**35,909**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing		530,699								
B.2 Doubtful	1,192,253	1,597,197								
B.3 Other impaired assets	1,607,151									
B.4 Other exposures	241,178,607		9,644,040		265,340		531		17,113	
Total B	**243,978,011**	**2,127,896**	**9,644,040**	**-**	**265,340**	**-**	**531**	**-**	**17,113**	**-**
Total 12/31/2013	**1,675,325,311**	**80,415,406**	**157,235,375**	**760,818**	**11,395,908**	**18,102**	**8,301,494**	**35,909**	**17,113**	**-**
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**

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

- United States of America for Euro 3,440,760 (adjustments Euro 14,065) and Mexico for Euro 7,689,808 (adjustments Euro 4,038) for on-balance sheet exposures
- United States of America for Euro 257,278 and Puerto Rico for Euro 8,059 for off-balance sheet exposures.

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

12/31/2013	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	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure
Non-performing	1,695,555	12,999,320	1,276,760	4,685,255	4,624,054	11,261,976	1,409,995	13,978,721	79,936	1,565,226
Doubtful	15,430,795	8,457,386	3,357,010	864,304	11,325,192	3,936,301	995,885	2,254,424	1,429,561	5,067,312
Restructured exposures	8,043,361	1,768,859	-	-	-	-	-	-	-	-
Past due exposures	1,115,078	110,399	8,749	908	1,113,627	110,575	215,938	21,359	16,624	1,644
Other operations	735,650,871	6,007,903	251,265,189	1,994,327	241,348,187	1,959,017	48,594,478	449,671	102,350,455	792,623
Total	**761,935,660**	**29,343,867**	**255,907,708**	**7,544,794**	**258,411,060**	**17,267,869**	**51,216,296**	**16,704,175**	**103,876,576**	**7,426,805**

3.3 Significant Risks

(values in units of euros)	12/31/2013	12/31/2012
a) Non-weighted value	882,691,231	973,336,000
b) Weighted value	663,300,186	760,020,480
c) Number	18	22

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.
Risks for individual customers are considered jointly if there are legal or economic connections between said customers.
The item "Weighted value" represents total on-balance sheet and off-balance sheet exposures with 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 received.

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

For some time the company has had factoring management software that enables daily monitoring of Significant Risks, using estimated values.

5. Other quantitative information

The aggregate amount of Significant Risks falls well within the limit of eight times the amount of Guarantee Capital.
As it belongs to a banking group which is subject to consolidated supervision, Factorit must observe an individual limit of 40% of the Guarantee Capital for each significant risk.
At 12/31/2013, no counterparties exceeded this limit, as for the majority of significant risks, the parent company issues bank guarantees to cover the gap in individual limit for the primary group.

3.2 – MARKET RISKS

As Factorit holds no assets in the trading portfolio, it is not exposed to the relative 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.

The processes of managing and controlling interest rate risk are handled by the parent company, which, through the examination of an internal model for Asset & Liability Management (ALM), processes the data that Factorit provides on a daily basis, then makes the consequent operating decisions.
The interest rate risk is caused by timing and methodological differences 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.
Fast credit turnover 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, an increase in interest rates by 100 basis points over a twelve month period on the future interest margin produces a value of Euro 2.4 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.
A decrease in interest rates by 100 basis points over a twelve month period on the future interest margin results in a value of about Euro -1.2 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 impact of the change in company assets would be under the threshold of attention provided in the regulatory provisions (20% of Guarantee Capital).

1. Distribution by residual duration (repricing date) 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	**367,348,294**	**1,307,506,662**	**30,737,966**	**26,666,877**	**14,581,020**			**5,172,825**
1.1 Debt instruments								
1.2 Receivables	367,348,294	1,307,479,987	30,737,966	26,666,877	14,581,020			
1.3 Other assets		26,675						5,172,825
2. Liabilities	**167,854,301**	**1,337,220,454**	**50,000,000**					**32,048,293**
2.1 Payables	167,854,301	1,334,273,260	50,000,000					
2.2 Debt instruments								
2.3 Other liabilities		2,922,570						32,048,293
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 Short positions								

2. Distribution by residual duration (repricing date) 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	**216,741**	**35,695,180**						
1.1 Debt instruments								
1.2 Receivables	216,741	35,695,180						
1.3 Other assets								
2. Liabilities		**35,802,730**						**51,390**
2.1 Payables		35,802,730						
2.2 Debt instruments								
2.3 Other liabilities								51,390
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 Short positions								

3. Distribution by residual duration (repricing date) 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	**27,478**							
1.1 Debt instruments								
1.2 Receivables	27,478							
1.3 Other assets								
2. Liabilities								**20,870**
2.1 Payables								
2.2 Debt instruments								
2.3 Other liabilities								20,870
3. Financial derivatives								
- Options								
3.1 Long positions								
3.2 Short positions								
- Other derivatives								
3.3 Long positions								
3.4 Short positions								

3.2.3 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 amount of interest receivable that is not offset by 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	**35,911,921**	**19,231**	**242**	**5,511**		**2,494**
1.1 Debt instruments						
1.2 Equities						
1.3 Receivables	35,911,921	19,231	242	5,511		2,494
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**35,802,730**					
3.1 Payables	35,802,730					
3.2 Debt instruments						
3.3 Other financial liabilities						
4. Other liabilities	**51,390**	**19,222**	**465**	**21**		**1,162**
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	**35,911,921**	**19,231**	**242**	**5,511**		**2,494**
Total liabilities	**35,854,120**	**19,222**	**465**	**21**		**1,162**
Surplus/deficit (+/-)	**57,801**	**9**	**-223**	**5,490**		**1,332**

3.3 OPERATING RISKS

QUALITATIVE INFORMATION

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

The parent company supervises the process of managing operating risks by verifying compliance with the pertinent regulations and applicable of strategic lines .
Factorit participates in the more general process of measuring operating risks used by the parent company, whose methods it has adopted, and also contributes to collecting data on the Group's operating losses. To estimate the equity needed to cover exposure to operating risks, the BIA (Basic Indicator Approach) method was used.

Risk is thus reported in two ways:

- The first reports it in terms of losses incurred, for which information is collected on losses which have actually occurred.
- The second regards the risk the Company could potentially incur.

The system of collecting and recording data is useful in performing benchmarking analyses with the Operating Loss Database (OLDB), organized by ABI.
Factorit also participates in Project GRIFO, an association initiative for constructing a consortium database of operating events and losses in factoring activities.
The system of collecting data on operating risks is supported by a web platform that acts as the operating instrument for managing risks, both at the company level (it permits registration and continuous use) and at the association level.

In order to guarantee the uniformity and quality of the data collected, Factorit links the classification of losses to a map of loss event types as established by Supervisory Boards . By monitoring losses, it becomes possible to promptly identify the actions that need to be taken in order to mitigate operating risks.

3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

Based on instructions from Banca d'Italia, the liquidity risk should be considered as the risk of not being able to meet one's payment commitments, rather than not being able to finance assets within the proper time frame. These circumstances may arise when it is impossible to procure 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 a balanced asset and liability maturity structure in order to achieve increased profitability.
Nevertheless, the data in the following table could be misleading. The time mismatch between asset and liability levels 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, which has established appropriate specific guidelines, with funds concentrated in retail and thus quite diversified clients, and in the interbank system, where there is a very high level of trust in the institution.

QUANTITATIVE INFORMATION

The following tables were compiled in accordance with the Supervisory instructions issued by Banca d'Italia. In particular, non-discounted financial flows were placed in the pertinent segments of remaining life, while excluding all lump sum write-downs.

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
On-balance sheet assets	**240,104,522**	**50,577,947**	**95,781,511**	**435,631,598**	**657,675,540**	**139,826,356**	**95,681,748**	**38,678,745**	**8,577,377**	**450,000**	**7,422,825**
A.1 Government securities											
A.2 Other debt instruments											
A.3 Financing	240,104,522	50,551,272	95,781,511	435,631,598	657,675,540	139,826,356	95,681,748	38,678,745	8,577,377	450,000	
A.4 Other assets		26,675									7,422,825
On-balance sheet liabilities	**167,854,302**	**18,505,724**	**1,248,922,527**	**17,434,082**	**52,333,495**	**50,000,000**	**32,048,294**				
B.1 Payable to:	167,854,302	18,505,724	1,248,922,527	14,511,513	52,333,495	50,000,000					
- Banks	166,607,818	18,505,724	1,248,922,527	14,511,513	52,333,495	50,000,000					
- Financial institutions	371,298										
- Customers	875,186										
B.2 Debt instruments											
B.3 Other liabilities				2,922,569			32,048,294				
Off-balance sheet operations	**21,008,623**	**7,143,605**	**14,876,967**	**36,465,100**	**80,384,630**	**39,689,197**	**50,401,584**	**166,547**			
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 Financing to be received											
- Long positions											
- Short positions											
C.4 Irrevocable commitments to disburse funds	21,008,623	7,143,605	14,876,967	36,465,100	80,384,630	39,689,197	50,401,584	166,547			
- Long positions											
- Short positions	21,008,623	7,143,605	14,876,967	36,465,100	80,384,630	39,689,197	50,401,584	166,547			
C.5 Financial guarantees issued											
C.6 Financial guarantees received											

With regard to liabilities, deposits and current accounts with Banks, Euro 1,393,261,884 represents payables to the parent company; while Euro 51,829,094 represents payables to Banca Popolare di Milano Group, the second largest 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
On-balance sheet assets	**217,688**		**3,967,058**	**4,624,330**	**27,290,965**						
A.1 Government securities											
A.2 Other debt instruments											
A.3 Financing	217,688		3,967,058	4,624,330	27,290,965						
A.4 Other assets											
On-balance sheet liabilities	**225**		**3,972,574**	**4,057,447**	**27,772,484**		**51,390**				
B.1 Payable to:	225		3,972,574	4,057,447	27,772,484						
- Banks	225		3,972,574	4,057,447	27,772,484						
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities							51,390				
Off-balance sheet operations	**435,795**		**895,491**	**224,515**	**1,619,967**						
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 Financing to be received											
- Long positions											
- Short positions											
C.4 Irrevocable commitments to disburse funds	435,795		895,491	224,515	1,619,967						
- Long positions											
- Short positions	435,795		895,491	224,515	1,619,967						
C.5 Financial guarantees issued											
C.6 Financial guarantees received											

3. 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
On-balance sheet assets	**27,533**										
A.1 Government securities											
A.2 Other debt instruments											
A.3 Financing	27,533										
A.4 Other assets											
On-balance sheet liabilities							**20,870**				
B.1 Payable to:											
- Banks											
- Financial institutions											
- Customers											
B.2 Debt instruments											
B.3 Other liabilities							20,870				
Off-balance sheet operations	**236,499**	**144,004**		**98,743**	**136,660**						
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 Financing to be received											
- Long positions											
- Short positions											
C.4 Irrevocable commitments to disburse funds	236,499	144,004		98,743	136,660						
- Long positions											
- Short positions	236,499	144,004		98,743	136,660						
C.5 Financial guarantees issued											
C.6 Financial guarantees received											

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 6 years made it possible to bring Euro 62.9 million to the reserve.

(millions of euros)			
2007-2010	2011	2012	Total
49.7	5.2	8.0	62.9

4.1.2 Quantitative information

4.1.2.1 Corporate equity: composition

Items/Figures in units of euros	2013	2012
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	7,592,059	6,848,100
b) statutory		
c) treasury shares		
d) other	63,108,416	54,923,176
- 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	-53,420	-136,284
- Amount of valuation reserves related to shareholdings reported using the equity method		
6. Equities		
7. Net income (loss) for the year	**19,351,574**	**14,879,199**
Total	**190,982,705**	**177,498,267**

4.2. Capital and regulatory ratios

4.2.1 Guarantee Capital

4.2.1.1 Qualitative information

The Supervisory Board uses Guarantee Capital as its principal reference point when assessing the stability of the financial intermediary and of the system.

It provides the foundation for the most important instruments of prudential control, such as the requirements for covering risks and rules on risk concentration.
The Guarantee Capital of Factorit S.p.A. at 31/12/2013 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	2013	2012
A. Tier 1 capital prior to the application of prudential filters	183,332,705	171,548,267
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	-1,248,218	-1,256,035
E. Total Tier 1 capital (C-D)	182,084,487	170,292,232
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)	182,084,487	170,292,232
O. Tier 3 capital		
P. Guarantee capital including Tier 3 (N + O)	182,084,487	170,292,232

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

Credit risk and operational risk are the risks that make up the weighted assets at 12/31/2013.

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.

Starting in the first quarter of 2013, Factorit identified DBRS 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. Factorit notified the Supervisory Board of the change in ECAI within the regulatory deadline.

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."

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	
	2013	2012	2013	2012
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1 Standardized approach	3,814,930,118	4,245,498,607	1,632,170,812	1,869,057,343
2 Internal ratings approach				
2.1 Basic				
2.2 Advanced				
3 Securitized				
B. GUARANTEE CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			97,930,256	112,143,445
B.2 Market risks				
1 Standard approach				
2 Internal models				
3 Concentration risk				
B.3 Operating risk				
1 Basic approach			9,892,863	9,397,288
2 Standardized approach				
3 Advanced method				
B.4 Other prudential requirements			298,181	
B.5 Other calculation elements			-27,030,325	-30,385,182
B.6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 + B.5)			81,090,975	91,155,551
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			1,351,516,250	1,519,259,409
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			13.47%	11.21%
C.3 Guarantee capital including Tier 3/Risk-weighted assets (Total capital ratio)			13.47%	11.21%

The weighted amount for counterparty and credit risk benefited from bank guarantees issued by the parent company for a leading industrial group, in the amount of Euro 129 million.

Weighted risk assets reported under item C.1, also utilized in calculating the ratios reported under items C.2 and C.3, are calculated as the product of the total prudential requirement (item B.6) and 16.67 (inverse of minimum obligatory ratio of 6%).

Section 5 *Analytical statement of comprehensive income*

Items		Gross amount	Income tax	Net amount
10.	Net income (Loss) for the year	33,107,117	(13,755,543)	19,351,574
	Other income components without reversal to income statement			
20.	Tangible assets			
30.	Intangible assets			
40.	Defined-benefit plans	114,295	(31,431)	82,864
50.	Non-current assets being divested			
60.	Share of valuation reserves of shareholdings reported using the equity method			
	Other income components with reversal to income statement			
70.	Hedging foreign investments :			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
80.	Exchange rate differences			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
90.	Hedging financial flows :			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
100.	Financial assets available for sale :			
	a) changes in value			
	b) reversal to income statement			
	- adjustments due to impairment			
	- gains/losses on disposals			
	c) other changes			
110.	Non-current assets being divested:			
	a) changes in fair value			
	b) reversal to income statement			
	c) other changes			
120.	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			
130.	Total other income components	114,295	(31,431)	82,864
140.	Comprehensive income (Item 10+130)	33,221,412	(13,786,974)	19,434,438

Section 6 *Transactions with related parties*

6.1 Information on compensation of key management personnel

Executives: compensation Euro 409,019, of which Euro 303,810 is payments for employment work, Euro 22,000 for bonuses and other incentives, Euro 30,009 for non-monetary benefits, and Euro 53,200 for emoluments for the office of company 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	336,543	50,000,000		1,815,000
Banca Popolare di Mantova				14,094
Total	**336,543**	**50,000,000**		**1,829,094**

Income statement

Company	Interest receivable	Interest payable	Interest payable on active pool	Factoring commissions	Other commissions payable	Other charges
Banca Popolare di Milano	629	450,198	2,956,326	1,002,208	16,148	18,877
Banca Popolare di Mantova				14,094		
Total	**629**	**450,198**	**2,956,326**	**1,016,302**	**16,148**	**18,877**

6.3.2. Transactions with parent company and affiliates

Receivable from credit institutions

Banca Popolare di Sondrio	Amount
Ordinary current accounts – euros	1,180,577
Ordinary current accounts – foreign currency	72,961
Total	**1,253,538**

Payable to credit institutions

Banca Popolare di Sondrio	Amount
Ordinary current accounts	155,870,007
Short-term overdraft facility	1,200,000,000
Accrued liability on short-term overdraft facility	372,778
Advances foreign currency	35,752,203
Accrual advances foreign currency	50,527
Principals accounts	9,401
Commissions to be paid	1,204,191
Supplier invoices	2,777
Total	**1,393,261,884**

Costs – credit institutions

Banca Popolare di Sondrio	Amount
Interest payable	15,852,527
Commissions payable – expenses	80,049
Commissions payable – factoring commissions	1,204,191
Commissions payable - guarantees	204,450
Charges for rent payable	117,789
Service contract	90,000
Directors' emoluments	13,200
Seconded personnel	84,362
Total	**17,646,568**

Revenues – credit institutions

Banca Popolare di Sondrio	Amount
Interest receivable – ordinary current accounts	8,049
Seconded personnel	73,723
Total	**81,772**

Payable to customers

Sinergia Seconda Srl	Amount
Invoices suppliers	8,569
Total	**8,569**

Costs – customers

Sinergia Seconda Srl	Amount
Charges for rents payable	1,188,572
Total	**1,188,572**

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	12/31/2012	31/12/2011
10.	Cash and cash equivalents	114,158,995	81,545,810
20.	Financial assets held for trading	2,097,393,977	2,187,555,666
30.	Financial assets valued at fair value	104,224,290	81,712,732
40.	Financial assets available for sale	2,438,073,849	703,657,507
50.	Financial assets held until maturity	204,643,791	220,331,824
60.	Receivables due from banks	1,855,236,119	2,200,794,344
70.	Receivables due from customers	22,390,051,929	20,606,382,386
80.	Hedging derivatives	-	-
90.	Adjustment of value of financial assets subject to hedging		
100.	Shareholdings	398,636,818	348,463,978
110.	Tangible assets	138,174,667	133,570,510
120.	Intangible assets	11,143,274	10,180,339
	- of which goodwill		
130.	Tax assets	157,295,367	79,583,759
	b) deferred	157,295,367	79,583,759
	b1) pursuant to Law 214/2011	126,943,333	41,172,032
140.	Non-current assets and groups of assets being divested	-	-
150.	Other assets	235,997,167	329,331,291
	Total assets	**30,145,030,243**	**26,983,110,146**

	Items under liabilities and shareholders' equity	12/31/2012	31/12/2011
10.	Payables due to banks	3,828,808,395	3,693,891,267
20.	Payables due to customers	20,844,527,072	17,984,401,732
30.	Outstanding securities	2,817,454,497	2,583,272,886
40.	Financial liabilities from trading	86,893,319	143,837,997
50.	Financial liabilities valued at fair value	-	-
60.	Hedging derivatives		
70.	Adjustment of value of financial liabilities subject to hedging		
80.	Tax liabilities	97,939,143	25,479,801
	a) current	77,249,544	12,456,077
	b) deferred	20,689,599	13,023,724
90.	Liabilities associated with assets being divested		
100.	Other liabilities	578,961,643	727,637,055
110.	Employee severance pay	39,990,490	36,000,213
120.	Provisions for risks and charges	139,131,838	112,116,496
	a) retirement and similar obligations	95,729,159	77,830,629
	b) other provisions	43,402,679	34,285,867
130.	Valuation reserves	-8,394,344	-44,592,742
140.	Redeemable shares		
150.	Equities		
160.	Reserves	622,318,690	593,773,311
170.	Issue premiums	171,449,522	172,510,523
180.	Capital	924,443,955	924,443,95
190.	Treasury stock (-)	-24,316,346	-26,078,736
200.	Net income for the year	25,822,369	56,416,388
	Total liabilities and shareholders' equity	**30,145,030,243**	**26,983,110,146**

INCOME STATEMENT

	Items	12/31/2012	12/31/2011
10.	Interest receivable and similar income	912,510,400	747,595,789
20.	Interest payable and similar expense	-451,055,350	-293,493,896
30.	**Interest margin**	**461,455,050**	**454,101,893**
40.	Commissions income	239,599,970	233,648,218
50.	Commissions expenses	-17,120,969	-13,593,127
60.	**Net commissions**	**222,479,001**	**220,055,091**
70.	Dividends and similar proceeds	5,549,285	6,393,497
80.	Net result from trading	152,487,807	-71,887,626
90.	Net result from hedging		
100.	Net income/loss from sale or repurchase of:	9,573,204	4,526,564
	a) receivables		
	b) financial assets available for sale	7,740,497	2,959,402
	c) financial assets held until maturity	584,164	123,588
	d) financial liabilities	1,248,543	1,443,574
110.	Net result of financial assets and liabilities valued at fair value	6,273,265	-6,640,809
120.	**Earning margin**	**857,817,612**	**606,548,610**
130.	Adjustments/reinstatements of net value due to impairment of:	-457,781,737	-162,946,761
	a) receivables	-450,956,950	-155,292,598
	b) financial assets available for sale	-5,224,787	-7,154,163
	c) financial assets held until maturity		
	d) other financial operations	-1,600,000	-500,000
140.	**Net result from financial management**	**400,035,875**	**443,601,849**
150.	Administrative expenses	-348,521,355	-338,252,779
	a) personnel expenses	-167,468,134	-166,569,497
	b) other administrative expenses	-181,053,221	-171,683,282
160.	Net allocations to funds for risks and charges	-1,576,934	4,155,695
170.	Adjustments/reinstatements of net value for tangible assets	-12,246,083	-12,059,409
180.	Adjustments/reinstatements of net value for intangible assets	-11,184,510	-9,787,567
190.	Other operating charges/proceeds	57,716,875	40,766,712
200.	**Operating costs**	**-315,812,007**	**-315,177,348**
210.	Net income (Losses) from shareholdings	-2,092,615	-12,252,465
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	280,170	-22,518
250.	**Net income (Loss) from continuing operations before taxes**	**82,411,423**	**116,149,518**
260.	Income tax for the year for continuing operations	-56,589,054	-59,733,130
270.	**Net income (Loss) for continuing operations after taxes**	**25,822,369**	**56,416,388**
280.	Net income (Loss) for groups of assets being divested after taxes		
290.	**Net income for the year**	**25,822,369**	**56,416,388**

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 services	Party who provided the service	Remuneration 2013
Independent auditing	Deloitte & Touche SpA	49,584
Quarterly audits	Deloitte & Touche SpA	8,189
Interim reporting package	Deloitte & Touche SpA	11,616
Other services comprised of:	Deloitte & Touche SpA	
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 2013 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 2013, we note that the Board of Auditors participated in the shareholders' meeting of April 15, 2013 to approve the financial statements for 2012 and in all eight 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 nine times during 2013.

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, in particular with the in-house representative of the Compliance function, the manager of the Anti-Money Laundering and Risk Management function, the parent company's Internal Audit manager, and the auditing company. We also focused our monitoring action on 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. No information has emerged in this regard that needs to be noted in this Report.

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. We can therefore attest that the financial statements that the directors are submitting for your approval were prepared in compliance with the specific provisions that govern their preparation and that 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, and that we found no anomalous transactions performed by your company with related or third parties.

Therefore, 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 2013 and the related proposal for the appropriation of net earnings.

Milan, March 26, 2014

THE BOARD OF AUDITORS

Luca Zoani

Pio Bersani

Mario Vitali

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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, 2013, and the income statement, statement of comprehensive income, changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 29, 2013.

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, 2013, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Parma Palermo Roma Torino Treviso Verona

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

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, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 26, 2014

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

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