Factorit

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

Banca Popolare di Sondrio Group

2014 FINANCIAL STATEMENTS
36th FINANCIAL YEAR

The English version of the Financial Statements is a translation of the Italian text provided for the convenience of international readers. The original document in Italian prevails over any translation.

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

Factorit S.p.A.

Registered headquarters, Head Office and Operating Headquarters
Via Cino del Duca, 12 - 20122 Milan
Telephone (02) 58150.1 – Fax (02) 58150.205
Web: www.factorit.it - Email: info@factorit.it

Member of Banca Popolare di Sondrio S.c.p.a. Group
Listed with the Registry 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
Managing Director	Antonio De Martini
Directors	Aldo Aletti Mario Alberto Pedranzini Ambrogio Pizzamiglio Lino Stoppani

BOARD OF STATUTORY AUDITORS

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

INDIPENDENT AUDITORS

KPMG S.p.A.

Shareholders

Banca Popolare di Sondrio S.c.p.a.	60.5%
Banca Popolare di Milano S.c.a.r.l.	30.0%
Banco Popolare Soc. Coop.	9.5%

Registered office and branch offices

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

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

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

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

Rome
Viale Cesare Pavese, 336 - 00144 Rome
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Naples
Via Francesco Crispi, 21 - 80122 Naples
Tel. 081 7618545 - Fax 081 240402

Financial Statements as at and for the year ended

December 31, 2014

Factorit
GRUPPO Banca Popolare di Sondrio

DIRECTOR'S REPORT

Dear Shareholders,

The 2014 financial statements, your Company's thirty-sixth, have closed with profit for the year of EUR 25,515,117.

During the year a special attention was paid to managing the distribution channel, comprised of the banking networks, to the system of controls, and to reviewing the operating regulations and handbooks.

THE INTERNATIONAL MACROECONOMIC CONTEXT IN BRIEF

The results of 2014 have been bitterly disappointing what many forecasted to be the start of the recovery instead proved to be yet another difficult year globally.

While it is true that in the United States there was a steady, clear acceleration of economic dynamics, the eurozone and Japan were left behind. China demonstrated the persistence of the slowdown, and Russia and other producer countries inevitably suffered from the fall in oil prices, which was recently very abrupt.

In the meantime the risks associated with a major compromised geopolitical situation increased in many areas of the globe, with conflicts brewing even at the gates of Europe.

The United States was able to pull off a strong recovery, with a growth in the third quarter of the year exceeding forecasts (GDP +5% over the year), as a result of a sustained increase in consumption. There were immediate repercussions on the job market, which saw a sharp rise in the workforce. The courageous monetary policies implemented by the Federal Reserve finally yielded the desired effects. The achieved energy independence also helped to launch the image of the United States as an economy able to emerge as a winner even in the most difficult challenges.

The situation was very different in Japan, where the fall in GDP continued in the third quarter (-1.9%). The main reasons were a drop in investments, despite the modest consumption. This was followed by decisions made by the Bank of Japan, which once again strengthened the monetary expansion program at the end of the year.

The opinion expressed by many experts regarding the Chinese trend may seem paradoxical: there are rumors regarding a slowdown in economic growth, which reached around 7.3% at the end of the third quarter. These figures look unachievable for us, but for a giant like China, perhaps this is the slowest speed before the economic deadlock. Inflation is definitely low, at around 1.5%.

Trends were very different in the other BRIC countries. While India continued on a growth path (+5.3% for the third quarter) and Brazil experienced a period of relative stagnation (+0.2%), in Russia the economic and financial situation has gradually worsened for many reasons, including: european sanctions related to the crisis in Ukraine, the steep fall in oil prices and the consequent sharp devaluation of the ruble.

From an economic and financial point of view the distance between the two sides of the Atlantic has grown even wider. While the United States has experienced a renewed dynamism, the eurozone has been on the brink of recession. In the third quarter of 2014, GDP grew by just 0.2%, as a result of the different behaviors adopted in the various countries, all suffering of a lack of dynamism. Ranging from +0.3% in France, +0.1% in Germany, down to -0.1% in Italy. This confirms a structural weakness that has not been remedied so far.

According to the available estimates, the change in consumer prices should fall into a negative territory by December (-0.2%). Not considering the drop in the price of oil products, this represents a warning signal that can not be overlooked.

All this occurred despite the ECB repeated and significant interventions, which have brought the rates down to historic lows and has implemented major operations to provide liquidity to the system. In the meantime, Greece once again came close to the breaking point.

The Swiss Confederation was once again like as an island in the center of Europe. The Swiss economy achieved positive results in terms of development, with an impressive GDP in the third quarter, up to 1.9% compared with the same period a year before. Private and public sector consumption primarily contributed to this dynamic, as the trade balance also did, with exports rising up significantly. Unemployment rate was extremely low, just over 3%. Toward the end of the year, pressure grew on the Swiss franc, a safe haven par excellence, albeit in conjunction with the guided devaluation of the euro.

THE ITALIAN MACROECONOMIC CONTEXT IN BRIEF

As a result of the audit, according to the new system known as SEC 2010, starting from 2011 the Italian economy did not experience a single quarter of growth in terms of either business trends or economic cycle.

The annual performance, inevitably negative for the third consecutive year, nevertheless seemed to be improving: after -2.3% in 2012 and -1.9% in 2013, -0.4% is the number that marked both the first estimate for 2014 as a whole, and the situation at the third quarter of the year, the period of availability of the components' analysis.

With less of a drop in public expenditure (-0.2%) and investments (-2.2%), there was a very modest rise in household consumption (+0.2%). However, imports also grew (+0.3%), which represents an erosion of GDP for national accounts. Yet, due to the more intense rise in exports (+1.8%), the contribution of international trade generally remains favorable.

The lower price of energy products supported the consolidation of the surplus toward non-EU countries – moving from a basically balanced 2012 – from 20 to 28 billion. By adding the increase, from 10 to 15 billion, also recorded from the surplus to partners in the European Union, the result is a general balance rising to almost 43 billion at the close of 2014, 30 billion more than in 2013.

Smaller improvements were achieved in the unemployment rate, which touched 14% in the first two months, fell under 11% in August, but rebounded to 13.4% in the last quarter, peaking at one above that in November. During that month, the indicator for youth unemployment rate, which had dropped from 47% (in January) to 38%, followed a similar path, rising back to 46.5%.

The harmonized rate of inflation, 0.7% at the end of 2013, slipped into negative territory in August (-0.2%) to finish, after a rebound in October and November, at the same level of September (-0.1%). The annual trend was slightly less pronounced than the average trend for the eurozone, which went from +0.8% to -0.2%.

The statistical review of GDP also influenced the main public finance accounts, which were revised in 2013: from 3% to 2.8% with regard to net borrowing, and from 132.6% to 127.9% for the debt stock. In 2014 it is estimated that these figures are once again positioned, respectively, near 3% and 132%. Although the Economic and Financial Document (DEF) has originally accepted the European request for a structural deficit adjustment by 0.5%, the subsequent stability law reduced it to 0.1%, triggering negotiations with the Commission, which resulted in an additional correction.

The spread between the ten-year BTP yield and the corresponding German government bond fell over the year from 220 to 135 basis points.

PERFORMANCE OF THE ITALIAN FACTORING MARKET

Even in 2014, factoring proved to be able to effectively assist companies in managing working capital and to actively support the real economy, despite the ongoing economic crisis and the credit crunch.

The Italian factoring market saw a slight upswing during the year, after having experienced a widespread slowdown in 2013. According to Assifact, the Italian factoring association, at December 31, 2014 the total number of *loans assigned* amounted to EUR 177.5 billion, an increase of 2.8% compared to the same period of 2013. On the same date, the total amount of *existing loans* reached EUR 55.8 billion (+0.5%) and *advances and amounts paid* reached EUR 43.9 billion (+0.6%), with a ratio between advances and existing loans of 78.6%.

In 2014 the average duration of loans fell slightly compared to 2013, the average turnover for loans was 115 days, compared with 117 days of the previous year, due to the slight improvement in payment times by the Italian Public Administration.

Table 1. **Flows and performance of the factoring market in Italy** (Source: Assifact)

	2011	2012	2013	2014
Turnover	168,860,383	175,314,853	171,578,970	177,542,805
Outstanding	57,248,041	57,519,001	54,775,632	55,809,053
Advances	45,132,438	46,112,471	42,950,579	43,880,257
Advances/Outstanding	*78.8%*	*80.2%*	*78.4%*	*78.6%*

(values in thousands of euros)

Based on the information provided by Assifact as at and for the year ended December 31, 2014, 54.8% of Italian factoring companies are made up of financial brokers pursuant to Art. 107 of the Consolidated Banking Act (who create 56.2% of turnover), banks represent 25.8% of operators (40.5% of turnover) and other brokers pursuant to Art. 106 of the Consolidated Banking Act and brokers that do not operate with the public represent 19.4% (3.3% of turnover).

The volume of receivables sold to the top 5 operators (which all belong to banking groups), which include Factorit, represents 71.5% of total market turnover.

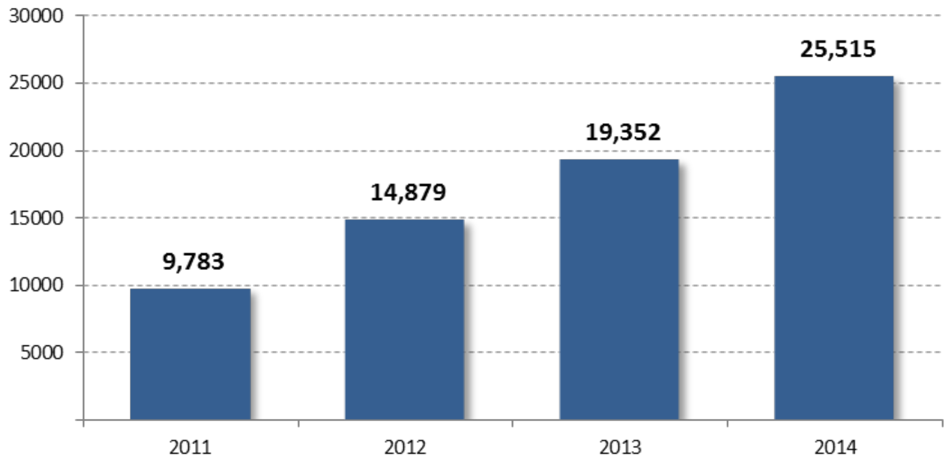
FACTORIT'S POSITIONING

Economic and income results

The Company ended 2014 with a profit for the year of EUR 25.5 million, after allocating adjustments in gross value due to impairment of receivables for EUR 20.1 million and of other financial transactions for 0.3 million. Writebacks were respectively EUR 13 million for receivables and 2 million for other financial transactions. Total net impairment losses therefore amounted to EUR 5.4 million.

The impairment test conducted on goodwill, included in the financial statements in 1999 as a result of the merger of the company In Factor into Factorit, resulted in an impairment of value equal to EUR 1.1 million; consequently, at December 31, 2014, the entire goodwill was impaired.

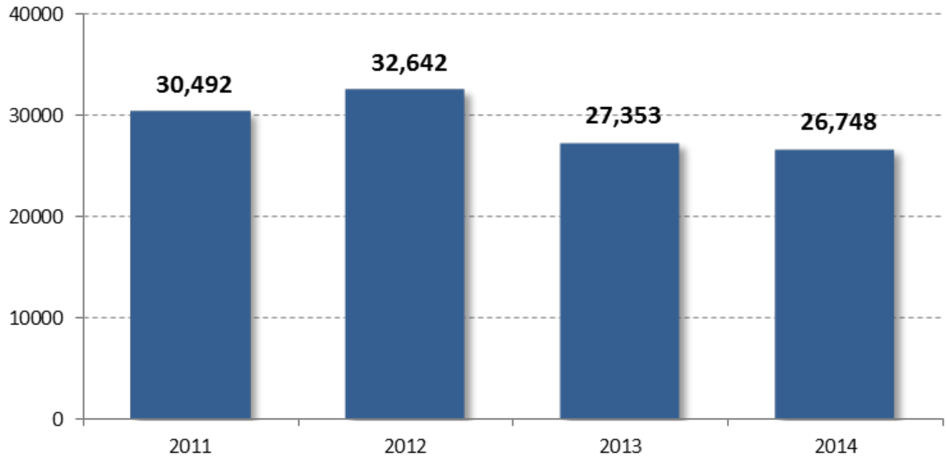
Graph 1. **Performance of Net Earnings** *(thousands of euros)*



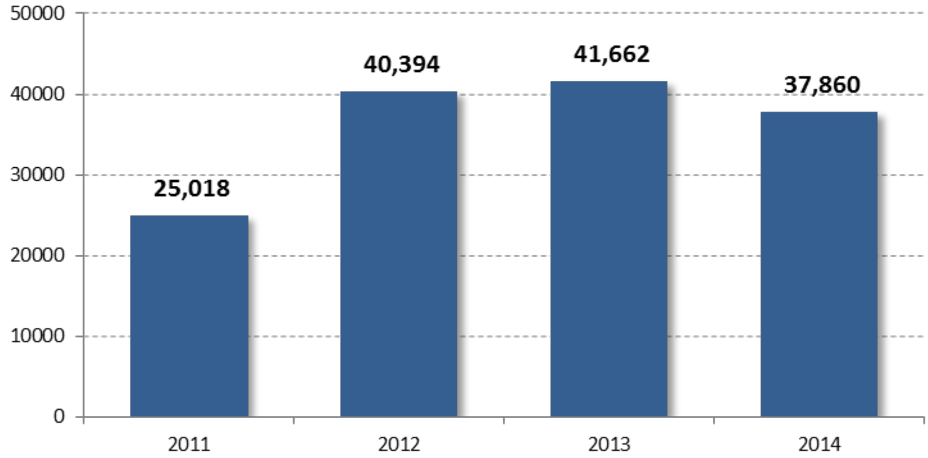
The activity generated an earning margin of EUR 64.6 million, of which 37.9 million came from financial proceeds and 26.7 million from commissions.

Revenues for one-time commissions, relevant to receivables' sales, are recorded according to the duration of sold receivables. Periodic and deferred commissions are, on the other hand, reported at the time of the debit, corresponding with the relative pertinence to the period. At December 31, 2014 the deferred amount was equal to EUR 2.5 million.

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



Graph 3. **Performance of interest margin** *(thousands of euros)*



Earnings Before Taxes (EBT), equal to EUR 38 million, were affected by net adjustments in value for a total of EUR 5.4 million (14.1 million in 2013), as a consequence of the impairment of some positions. The amount breaks down as follows: EUR 7.2 million from "Net value adjustments due to impairment" and EUR 1.8 million from "Net value adjustments due to other financial transactions' impairment".

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

Table 2. **Principal economic data reclassified**

	2013	2014
Net fee and commission income	27,353	26,748
Net interest income	41,662	37,860
Net trading and hedging income	-28	29
Total income	68,987	64,637
Total net costs of risk	15,898	5,071
Total net operating expenses	19,986	21,558
Profit for the year	33,103	38,008

(thousands of euros)

	2013	2014
Cost/Income	29.0%	33.4%
ROE	10.1%	12.2%
Net interest income/total income	60.4%	58.6%
Services margin/earning margin	39.6%	41.4%

Principal operating events

On February 12, 2014 the Board of Directors incorporated the changes to the *General Regulations for liquidity risk* issued by the Parent about the updating of contingency indicators. At the same meeting the *Regulations for the liquidity risk management process* of Factorit was approved, illustrating the procedures the Company uses to adopt and implement the Parent 's risk management policy.

On March 12, 2014 the Board of Directors approved the draft financial statements for the year 2013, which closed with net earnings of EUR 19.4 million, and the related proposal for profits allocation.

At the same meeting, the *Annual Report from the Anti-Money Laundering Function* was approved, drawn up pursuant to the Banca d'Italia provision of March 10, 2011.

On April 11, 2014 the ordinary Shareholders' Meeting deliberated on the following points:

1. Presentation of the financial statements at December 31, 2013;
2. Assigning the task of the external review of the financial statements and a limited audit of the financial statements contained in the half-year report for the period 2014-2022, pursuant to Arts. 13 and 16 of Legislative Decree No. 39 of January 27, 2010 and Art. 165 of Legislative Decree No. 58 of February 24, 1998;
3. Information on the implementation of wage policies issued by the Parent, Banca Popolare di Sondrio S.c.p.a..

On April 23, 2014, the *Report on the Organizational Structure* provided by the Risk Management Service was forwarded to Banca d'Italia, via certified mail, as required by the supervisory instructions for brokers.

On May 7, 2014 the *Operating Manual for Credit* was enacted, which governs the delivery, monitoring and renewal of assignor and debtor lines of credit, the assessment of the concentration risk level, the credit risk mitigation and the receivables insurance.

On June 16, 2014 the *Operating Manual for Assignors and Debtors Management* was enacted, integrated with the two attachments *Product Management Details* and *List of Acronyms.*

On June 27, 2014 the *Operating Manual for Credit Collection* was drawn up upon the completion of the *Credit Collection Rules -Ordinary Management and Litigation* of April 28, 2011. On the same date the *Document on Transparency and Fairness Rules for Relations between Brokers and Customers* was issued.

All the tasks for the implementation of the SEPA Direct Debit management procedures were completed in the first few months of 2014, with the consequent discontinuation of the Direct Debit payment system. All the activities relating to the correct and efficient management of electronic invoices issued to the Public Administration also went ahead.

During the Board of Directors' meetings on July 22 and October 28, 2014, Factorit implemented all the regulations received from the Parent on the new supervisory regulations regarding internal controls, the information system and operational continuity, according to the forecasts of the *New provisions for the prudential supervision of banks* - Banca d'Italia Circular No. 263 of December 27, 2006, 15th update.

The Company therefore proceeded to enact its regulations on the subject during the Board of Directors' meeting on October 28, 2014:

- *Regulations of the process of management and control for outsourced activities*, which defines the decision-making and control process applicable in the case of outsourcing;
- *Regulations of the process for evaluating business activities*, which formalizes, for each relevant asset aggregate, the relative accounting standards and the rules for determining value for management purposes, the procedures for developing valuations, the contributions of the various organizational units involved and the role of the corporate bodies;
- *Regulations of the risk management process*, which incorporates the Parent 's *Guidelines* on the subject and formalizes the risk management and control process, regardless of the type of risk considered, ensuring coherence between the process itself and the *Risk Appetite Framework (*RAF) defined at Group level.

During the same Meeting, the Company incorporated the additional regulations, sent by the Parent, listed below:

- *Group Regulations* and the related *Guidelines* connected to business continuity and contextual approval of Factorit's *Business Continuity Guidelines*;
- Update of the *Group Regulations on the Company's Internal Control and Corporate Governance System* in accordance with the provisions introduced with the first update to Banca d'Italia Circular No. 285/2013 of May 6, 2014;
- Update of the *Rules on the Internal Capital Adequacy Assessment Process (ICAAP)*, which includes the latest developments in the supervisory regulations at

the national and EU level (Circular No. 285/2013) and involves integration with the RAF (to which the ICAAP is linked in methodological and process terms);

– *Guidelines concerning the Litigation Fund.*

Finally, on December 11, 2014 the Board of Directors approved the *General Rules on Risks Arising from Operations with Related Parties*, which covers the process in a more organic way and assigns Factorit, within its competence sphere, well defined roles and responsibilities within this process; and the *General Rules on Risks related to the Acquisition of Holdings in Non-Financial Companies*, which is a development of the earlier rules adopted by Factorit in October 2013.

Sales performance

The amount of receivables assigned to Factorit during the period came to 9,339.8 million euros, slightly less than that of 2013 (-1.6%).

Receivables sold without recourse, i.e. with guaranteed collection of payments, came to 46.2% of total turnover, while those sold with recourse accounted for 53.8%. The ratio between the two types shifted further toward products without recourse on assigned debtors, while the Italian factoring market followed an opposite trend: 66.4% of the receivables were sold without recourse and 33.6% with recourse (a trend which was also in line with 2013).

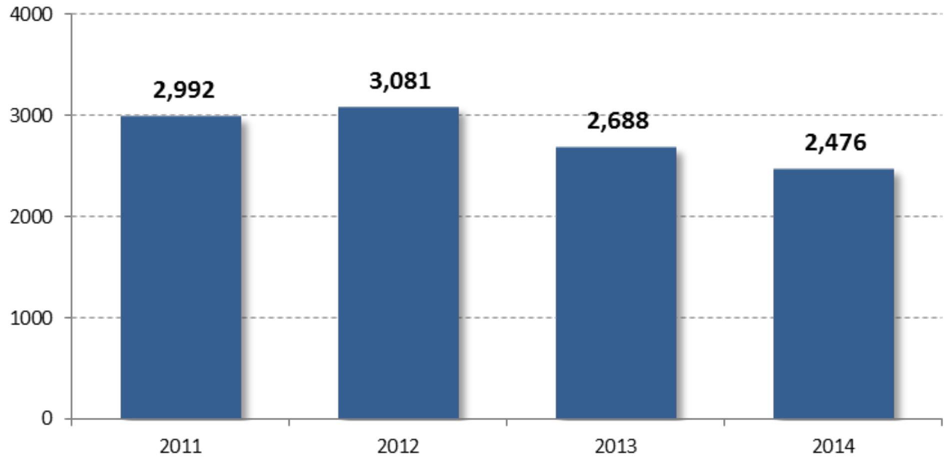
There were 1,427 active customers at December 31, 2014, a growth of 3.6% compared with December 31, 2013.

Table 3. **Operating data**

	2013	2014	Deviation
Turnover	**9,492,182**	**9,339,772**	**-1.6%**
without recourse	4,788,983	4,318,596	-9.8%
with recourse	4,703,199	5,021,176	6.8%
Net commissions (%)	**0.29**	**0.29**	
Advances (stock) at 12/31	**1,852,946**	**1,769,469**	**-4.5%**
Outstanding	**2,687,994**	**2,475,655**	**-7.9%**
without recourse	1,125,140	1,190,687	5.8%
with recourse	1,562,854	1,284,968	-17.8%
No. documents processed	**1,293,039**	**1,398,829**	**8.2%**

(*thousands of euros*)

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



The average duration of receivables decreased to 97 days, (103 in 2013) compared with the market average of 115. The reduction in the average duration was largely due to the type of Factorit's customers and, consequently, to their payment terms.

The breakdown by management sector of the amount of receivables sold at December 31, 2014 shows the growth of so-called "*territorial*" segments, in particular those engaged with clients in the north of Italy (Lombardy and Piedmont), where the presence of shareholder banks is more widespread. The results achieved in the two sectors that manage, respectively, *Public Administration's suppliers* and *Large retailers* are also positive.

Turnover analysis by product shows that Traditional Factoring represents 42.1% of total volumes. Financing products Without Notice to the debtor are also significant (representing 39.1% of the total). They are followed by Maturity Factoring (15.7% of the total) and products with Only Guarantee Without Notice (3.1% of the total).

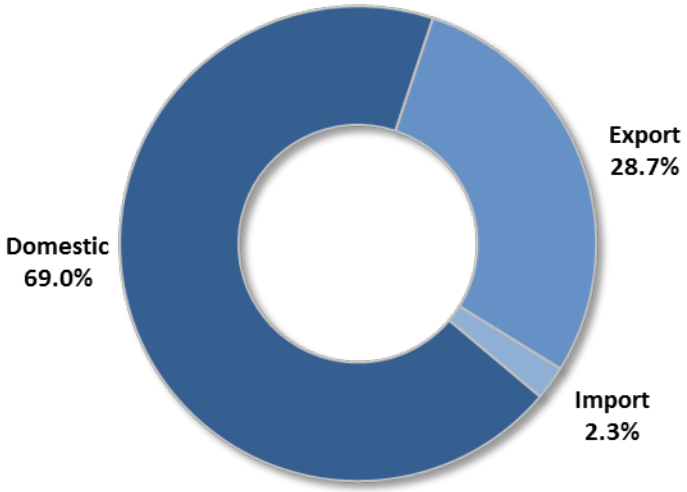
Table 4: **Product segmentation** (*incidence on total*)

	2012	2013	2014
Traditional Factoring	45.9%	38.3%	42.1%
Financing Without Notice	26.6%	40.7%	39.1%
Maturity Factoring	16.1%	15.0%	15.7%
Only Guarantee Without Notice	11.4%	6.0%	3.1%
Total	**100.0%**	**100.0%**	**100.0%**

(Percentage values)

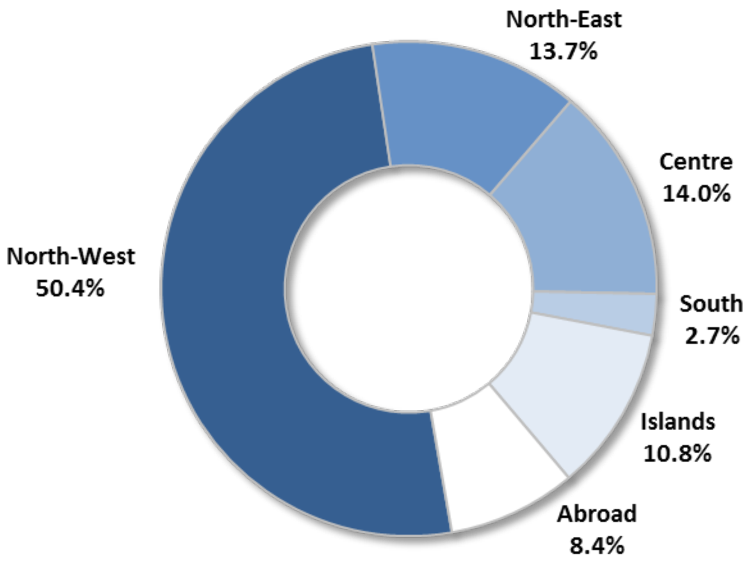
Domestic operations constituted 69.0% of total receivables sold (EUR 6,447.7 million in turnover). Export factoring accounted for 28.7% (EUR 2,679.5 million) and import factoring for 2.3% (EUR 212.6 million).

Graph 5. **Turnover territorial distribution**



Factorit's business is concentrated on areas where shareholder institutions have a widespread presence. The amount of receivables sold by clients based in Lombardy represents 31% of the total. The most significant regions are - in terms of volume - Piedmont (15.7%), Lazio (11.1%), Emilia Romagna (5.8%), Sardinia (5.7%) and Veneto (5.5%). The contribution to turnover of sellers with headquarters abroad was 8.4%.

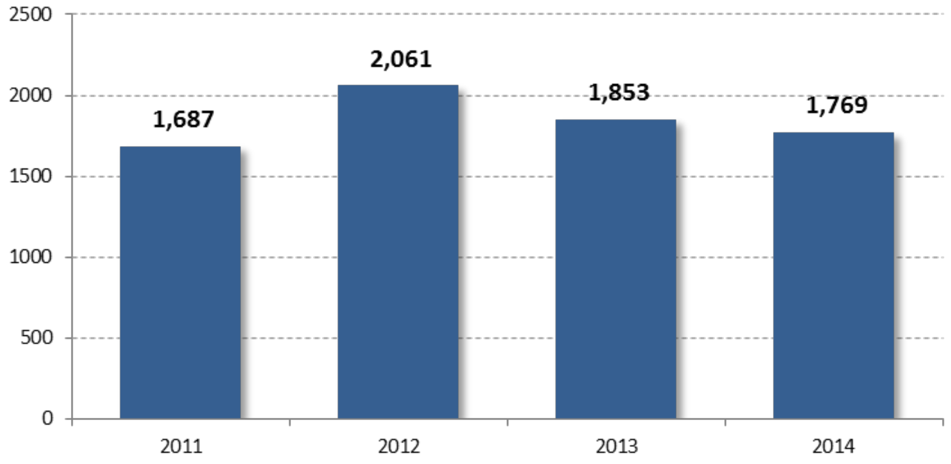
Graph 6. **Geographical distribution of assignors by macro-areas**



(percentages based on assignor's registered headquarters)

The amount of advances at December 31, 2014 was EUR 1,769.5 million, equal to 71.5% of existing receivables.

Graph 7. **Performance of Advances (stock) at 12/31** *(millions of euros)*



Distribution channels

The amount of assignments from clients recommended by shareholder banks came to EUR 4,974.4 million, accounting for 53.3% of total receivables sold, and showed an increase of 0.4% compared to the previous year.

Under the aggregation processes that occurred in the Italian banking system, there are 59 institutions with a product distribution agreement with Factorit, for a total of over 7,000 counters in the territory.

Considering the banking channel as a whole, the clients recommended contributed EUR 5,289.6 million, equal to 56.6% of the total amount of receivables sold.

Clients from the "direct" channel (i.e. Factorit's branch offices) sold EUR 3,837.6 million, with a drop of 3.9%.

The volume of receivables also comes from Import Factoring operations reported through FCI (Factors Chain International).

Table 5. **Turnover by distribution channel**

	2013	Incidence	2014	Incidence	Deviation
Banca Popolare di Sondrio	*2,345,494*	*24.7%*	*2,643,571*	*28.3%*	*12.7%*
Banco Popolare	*1,435,313*	*15.1%*	*1,261,323*	*13.5%*	*-12.1%*
Gruppo Banca Popolare di Milano	*1,172,561*	*12.4%*	*1,069,488*	*11.5%*	*-8.8%*
Total shareholder banks	*4,953,367*	*52.2%*	*4,974,382*	*53.3%*	*0.4%*
Total BANKS	**5,406,486**	**57.0%**	**5,289,563**	**56.6%**	**-2.2%**
Total Import	**93,933**	**1.0%**	**212,576**	**2.3%**	**126.3%**
Total DIRECT	**3,991,763**	**42.0%**	**3,837,633**	**41.1%**	**-3.9%**
Total	**9,492,182**	**100.0%**	**9,339,772**	**100.0%**	**-1.6%**

(values in thousands of euros)

Statutory compliance

In compliance with Banca d'Italia's supervisory provisions on banking transparency, during 2014 the compliance function successfully performed controls, even in peripheral units, to determine the compliance of informational sheets, contractual documents, periodic communications and management of client complaints. It was determined that there was substantial compliance in terms of proper arrangement of the pre-contractual and contractual set.

Even in the light of the remarks made by the Compliance Function, expressed through opinions and audit reports, the Company has established internal measures, in terms of transparency, such as the adoption of the *Document of Rules on Transparency* and the revision of the *Information Sheet* in the "October 2014" version, as well as on usury, through the reviewing process of the *Document of the Rules on the Maximum Legal Interest Rate*, including the improvements made to the internal process of management and control on interest on late payments, also sharing the policies with the Parent.

An audit was performed, with positive results, in relation to the adoption of procedures relating to the establishment, management and maintenance of a register of people with access to confidential information.

Considering the anti-money laundering and counter-terrorist financing legislation, during 2014 the Compliance Function provided an opinion on the matter, regarding customers due diligence measures in case of Export and/or International Factoring products.

Organizational structure and human resources

During the year there have been some internal staff movements, aimed at strengthening trade relations and administrative support for customers, which involved the Customers and Debtors Management Service.

Table 6. **Average number of employees**

	2013	2014
Executives	5	5
Mid-level managers	65	64
Employees	90	96
Total	**160**	**165**
Of which Part-time	*18*	*19*

Eleven employment relationships terminated during the year, while there were ten hires, all temporary. The average data for total employees (165) is not weighted, in particular with reference to the 19 part-time contracts.

The peak number of employees at December 31, 2014 was 163, with 88 men and 75 women.

Temporary staff were hired during the year, due to peak workloads and important company projects, but they are all intended to run out in the months to come.

All employees undertook the usual continuing professional education, with training courses financed by the Banking and Insurance Fund, which made it possible to increase the regulatory and technical knowledge of personnel.

The company continued to train all new employees, according to the new Government-Regional directives concerning occupational safety.

At the end of the year an analysis was conducted on work-related stress, with positive results.

Risks linked to business activity

Interest rate and liquidity risk trends

With regard to interest rate risks, please refer to specific Section 3 in the Explanatory Note – Information on Risks and the Related Hedging Policies.

For financial year 2014 as well, liquidity risks were managed by the appropriate divisions of the Parent, which guaranteed the contribution of the financial resources needed to carry on the business.

Credit risk trends

The constant focus on credit risk by the competent corporate bodies resulted in an appreciable attenuation of impaired receivables.

At December 31, 2014, overdue on statement of financial position exposure, before adjustments, came to EUR 45.2 million, equal to 2.6% of overall capital advances. These positions, net of adjustments, came to EUR 2.6 million (9.1 million in 2013), equal to 0.1% of advances (0.3% in 2013), which at December 31, 2014 came to EUR 1,769 million (1,853 million in 2013).

The percentage of hedging for non-performing receivables was 94.2%.

Impaired on statement of financial position exposures at December 31, 2014, before adjustments, came to EUR 33.3 million (EUR 53.4 million in 2013) and to EUR 19.2 million net of adjustments (32.7 million in 2013).

At December 31, 2014 total losses of EUR 10.3 million were reported (15.7 million in 2013). In detail: 8 million in relation to exposures with assignors; 1.4 million for debtors; 0.9 million for fees and receivables of lesser value. The amount booked was totally covered by the appropriate funds.

Risk concentration and guarantee capital

During 2014, the compliance with the parameters established by current applicable regulations continued to be supervised, and applications were implemented to adapt monitoring to risk concentrations.

At December 31, 2014, 10 positions were identified as "Significant Individual Risks." With regard to the most important position, a leading industrial group, the Parent issued bank guarantees to cover the gap on the individual limit.

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

Going concern

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

Other information

Pursuant to Art. 2428, Paragraph 3, point 1 of the Italian Civil Code, it should be noted that your Company did not carry out research and development activities during the financial year.

Information on relationships with Group companies and Related parties, required by paragraph 3, 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 3, points 3 and 4 of Art. 2428 of the Italian Civil Code, the Company declares that it does not own any treasury shares or shares in the Parent either directly or through a trust company or through a third party; the Company also declares that it did not buy or sell treasury shares or shares in the Parent either directly or through a trust company or through a third party during the financial year 2014.

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.

Predictable management development

Banca d'Italia most recent projections foresee a modest growth for the Italian economy in 2015 and a more sustained growth in 2016, with figures of 0.4% and 1.2% respectively.

However, there's great uncertainty regarding these values, which can be positively influenced by investment spending recovery, improved financial conditions, the acceleration of international trade and low oil prices (such as those recordered at the beginning of the current year).

Vice versa, the renewal of possible tensions on the international financial markets, the deterioration in the Greek economic situation and the crisis in Eastern Europe may pose a threat to economic activity.

Regarding the Italian factoring market, the forecasts for 2015 are tending toward positive values and enable us to glimpse a year of stability in the industry: according to estimates compiled by Assifact, operators' expectations forecast a growth that could remain around 3.4% on an annual basis in terms of turnover and at 2.3% in terms of outstanding.

In this scenario, the Company will continue to pay careful attention to all the activities aimed at risk mitigation and to the constant improvement of the managed portfolio quality.

Factorit will pursue the goal, already undertaken in 2014, to increase, first of all, the number of active customers, and to intensify operations with existing clients.

Of course, there will be a constant commitment to increasing volumes of turnover and advances.

Business wise, the planned increase in activities will leverage the intensification of cooperation with the Parent, shareholder banks and any affiliated banks and the development of new business opportunities in the international arena.

Significant events occurring after the financial year-end

After the closing of the financial year 2014, a joint communication, dated March 5, 2015, from Banca Italease S.p.a. and Banco Popolare Soc. Coop. was received by registered letter, in which the companies inform that their competent bodies have decided to merge by incorporating Banca Italease S.p.a. into the parent Banco Popolare Soc. Coop.

The operation was authorized by Banca d'Italia with Provision No. 0184039/14 of 02/18/2014.

The operation will go into effect on March 16, 2015. Pursuant to Art. 2504 bis of the Italian Civil Code, Banco Popolare Soc. Coop. will assume, from that date, the rights and obligations of the company participating in the merger, continuing in all the relations prior thereto.

As a result of the above, Banco Popolare Soc. Coop. will therefore have a 9.5% stake in the share capital of Factorit – formerly owned by Banca Italease S.p.a.

Dear Shareholders,

We propose the approval of the financial statements for the year ending at December 31, 2014 and the allocation of the profit for the year 2014 as follows:

Profit for the year	EUR	25,515,117
Profit from previous years carried forward	EUR	271,385
Profit to be allocated	EUR	25,786,502
of which:		
5% of earnings to the legal reserve	EUR	1,275,756
Dividend of €0.12 to each of the 85,000,002 shares in circulation	EUR	10,200,000
Profit to the extraordinary reserve	EUR	14,000,000
Profit carried forward	EUR	310,746

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

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 acknowledgements to the Board of Statutory Auditors for its support to the Company during the year, to all personnel for their ongoing strong commitment, to the Partner Banks, to the Correspondents factors, members of FCI – Factors Chain International, and to the Bodies of Assifact – the Italian Factoring Association.

Milan, March 6, 2015,

For the Board of Directors

The Chairman
(Piero Melazzini)

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

CONTENTS OF FINANCIAL STATEMENTS

The annual financial statements of Factorit S.p.A. comprise the statement of financial position , the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes in addition to the directors' report on operations and on the company situation, as required by the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Commission pursuant to Community Regulation No. 1606 of July 19, 2002, taking into account the relevant interpretations of the International Interpretations Committee (IFRC) in force on the date of the financial statements.

These financial statements have been drafted according to the instructions for preparing financial statements of financial intermediaries on the Banca d'Italia's special list, *IMELs, SGRs and the SIMs* issued by the Banca d'Italia in the framework of regulatory powers conferred to it in Legislative Decree No. 38 of 02/28/2005, with the measure of December 22, 2014, transposing and giving practical application to the aforementioned international standards.

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

The notes have the function of illustrating, analyzing and in some cases providing additional information on the accounting data. This notes contain the information required by the instructions for preparing the financial statements of Financial Intermediaries. Additional information has been provided when deemed necessary in order to provide a true and accurate representation.

STATEMENT OF FINANCIAL POSITION

(figures in euros)

Assets	12/31/2014	12/31/2013
10. Cash and cash equivalents	3,856	2,987
40. Available for sale financial assets	1,750,000	2,250,000
60. Loans and receivables	1,705,343,435	1,782,753,543
100. Property and equipment	418,577	502,312
110. Intangible assets	149,618	1,248,218
120. Tax assets	42,528,672	50,004,777
a) current	14,257,046	20,565,145
b) deferred	28,271,626	29,439,632
Pursuant to Law. no. 214/2011	*26,251,658*	*26,845,768*
140. Other assets	7,527,213	5,199,500
TOTAL ASSETS	**1,757,721,371**	**1,841,961,337**

Liabilities and Equity	12/31/2014	12/31/2013
10. Financial Liabilities	1,506,022,548	1,592,715,217
70. Tax liabilities	13,717,898	18,753,557
a) current	11,674,467	16,329,761
b) deferred	2,043,431	2,423,796
90. Other liabilities	20,509,424	30,258,197
100. Post-employment benefits	2,324,262	2,123,354
110. Provisions for risks and charges:	6,422,740	7,128,307
a) pension and similar provisions	-	-
b) other provisions	6,422,740	7,128,307
120. Share capital	85,000,002	85,000,002
150. Share premium reserves	11,030,364	11,030,364
160. Reserves	87,355,759	75,654,185
170. Valuation reserves	-176,743	-53,420
180. Profit for the year	25,515,117	19,351,574
TOTAL LIABILITIES AND EQUITY	**1,757,721,371**	**1,841,961,337**

The amount of the caption "Other liabilities" at 12/31/2013 was amended for a reclassification in line with the supervision reporting. In particular the "On demand liabilities to customers", amounting to EUR 4,784,926, have been entirely allocated under the caption "Financial Liabilities".

INCOME STATEMENT

(figures in euros)

	2014	2013
10. Interest and similar income	49,949,202	59,681,575
20. Interest and similar expenses	-12,089,104	-18,019,957
NET INTEREST INCOME	37,860,098	41,661,618
30. Fee and commission income	31,981,482	33,164,237
40. Fee and commission expense	-5,233,824	-5,811,440
NET FEE AND COMMISSION INCOME	26,747,658	27,352,797
60. Net trading income (expense)	29,021	-27,528
NET GAIN (LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	64,636,777	68,986,887
100. Net impairment losses on:	-5,449,783	-14,062,270
a) loans and receivables	-7,173,687	-14,321,765
b) other financial assets	1,723,904	259,495
110. Administrative expenses:	-23,055,605	-22,905,741
a) personnel expenses	-12,060,178	-12,345,370
b) other administrative expenses	-10,995,427	-10,560,371
120. Depreciation and net impairment losses on property and equipment	-157,033	-138,769
130. Amortisation and net impairment losses on intangible assets	-1,172,688	-50,964
150. Net accrual to provisions for risks and charges	378,454	-1,835,500
160. Other operating income	2,827,463	3,108,966
OPERATING INCOME	38,007,585	33,102,609
180. Net income (losses) from sale of investments	16,418	4,508
PRE-TAX PROFIT FROM CONTINUING OPERATIONS	38,024,003	33,107,117
190. Income taxes from continuing operations	-12,508,886	-13,755,543
POST-TAX PROFIT FROM CONTINUING OPERATIONS	25,515,117	19,351,574
PROFIT FOR THE YEAR	**25,515,117**	**19,351,574**

STATEMENT OF COMPREHENSIVE INCOME

(figures in euros)

	Captions	2014	2013
10	**Profit for the year**	**25,515,117**	**19,351,574**
	Other gains post-tax without reclassification under the income statement	-	-
20	Property and equipment	-	-
30	Intangible assets	-	-
40	Actuarial gains (losses) on defined benefit plans	-123,323	82,864
50	Non-current assets held for sale	-	-
60	Portion of valuation reserves of equity-accounted investees	-	-
	Other gains post-tax with reclassification under the income statement		
70	Hedges of investments in foreign	-	-
80	Exchange rate gains (losses)	-	-
90	Cash flows hedges	-	-
100	Available for sale financial assets	-	-
110	Non-current assets held for sale	-	-
120	Portion of valuation reserves of equity-accounted investees	-	-
130	Other gains post-tax	-123,323	82,864
140	Comprehensive income (Caption 10+130)	25,391,794	19,434,438

CHANGES IN EQUITY AS AT 31 DECEMBER 2014

(figures in euros)

	Amounts at 12/31/2013	Change in opening balance	Amounts at 01/01/2014	Allocation of prior year profit		Changes for the year						Comprehensive income as at 31/12/2014	Equity as at 31/12/2014
						Changes in reserves	Movements in net equity						
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinar dividends	Change in equity	Other changes		
Share Capital	85,000,002	-	85,000,002	-	-	-	-	-	-	-	-	-	85,000,002
Share premium	11,030,364	-	11,030,364	-	-	-	-	-	-	-	-	-	11,030,364
Reserves													
a) income-related	70,700,475	-	70,700,475	11,701,574	-	-	-	-	-	-	-	-	82,402,049
b) other	4,953,710	-	4,953,710	-	-	-	-	-	-	-	-	-	4,953,710
Valuation reserves	(53,420)	-	(53,420)	-	-	-	-	-	-	-	-	(123,323)	(176,743)
Equity instruments	-	-		-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-		-	-	-	-	-	-	-	-	-	-
Profit for the year	19,351,574	-	19,351,574	(11,701,574)	(7,650,000)	-	-	-	-	-	-	25,515,117	25,515,117
Equity	190,982,705	-	190,982,705	-	(7,650,000)	-	-	-	-	-	-	25,391,794	208,724,499

CHANGES IN EQUITY AS AT 31 DECEMBER 2013

(figures in euros)

	Amounts at 31/12/2012	Change in opening balances	Amounts at 01/01/2013	Allocation of prior year profit		Changes for the year						Comprehensive income as at 31/12/2013	Equity as at 31/12/2013
						Changes in reserves	Movements in net equity						
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity	Other changes		
Share Capital	85,000,002	-	85,000,002	-	-	-	-	-	-	-	-	-	85,000,002
Share premium	11,030,364	-	11,030,364	-	-	-	-	-	-	-	-	-	11,030,364
Reserves													
a) income-related	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)
Equity instruments		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares		-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	14,879,199	-	14,879,199	(8,929,199)	(5,950,000)	-	-	-	-	-	-	19,351,574	19,351,574
Equity	177,498,267	-	177,498,267	-	(5,950,000)	-	-	-	-	-	-	19,434,438	190,982,705

STATEMENT OF CASH FLOWS

(figures in euros)

A. OPERATING ACTIVITIES	Amount	
	31/12/2014	31/12/2013
1. OPERATIONS	**44,402,222**	**51,848,516**
- net income (+/-)	25,515,117	19,351,574
- income (expense) on financial assets held for trading and on financial assets/liabilities designated as at fair value through profit or loss (+/-)	-29,021	27,528
- net value adjustments for impairment (+/-)	5,449,783	14,062,270
- net value adjustments on property and equipment and intangible assets (+/-)	1,329,721	189,733
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	378,454	1,835,500
- unpaid taxes and duties (+/-)	11,674,467	16,329,761
- other adjustments (+/-)	83,701	52,150
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**70,402,152**	**206,289,607**
- Available for sale financial assets	500,000	-2,250,000
- loans and receivables with banks	-5,103,412	19,223,613
- loans and receivables with financial institutions	48,098,626	-41,661,058
- loans and receivables with customers	28,066,645	235,363,473
- other assets	-1,159,707	-4,386,421
3. CASH FLOWS GENERATED BY FINANCIAL LIABILITIES	**-107,933,606**	**-253,675,022**
- due to banks	-85,599,553	-234,815,666
- due to financial institutions	29,724	-10,125
- due to customers	-1,122,840	4,877,641
- securities issued	0	0
- other liabilities	-21,240,937	-23,726,872
Net cash flow from/used in operating activity	**6,870,768**	**4,463,101**
B. INVESTING ACTIVITIES		
1. CASH FLOW GENERATED BY	**120**	**13,020**
- sales of property and equipment	120	13,020
- sales of intangible assets	0	0
- sales of business units	0	0
2. CASH FLOW USED TO AQUIRE	**-147,506**	**-312,928**
- property and equipment	-73,419	-269,781
- intangible assets	-74,087	-43,147
- business units	0	0
Net cash flow generated by/used in investment activities	**-147,386**	**-299,908**
C. FUNDING ACTIVITY		
- issue/purchase of treasury shares	0	0
- issue/purchase of equity instruments	0	0
- dividend and other distributions	-7,650,000	-5,950,000
Net cash flow generated by/used in funding activities	**-7,650,000**	**-5,950,000**
NET CASH FLOW GENERATED/USED DURING THE YEAR	**-926,618**	**-1,786,807**

RECONCILIATION

	Amount	
	31/12/2014	31/12/2013
Cash and cash equivalents at beginning of the year	**6,219,379**	**8,006,186**
Net increase (decrease) in cash and cash equivalents	-926,618	-1,786,807
Cash and cash equivalents at the end of the year	**5,292,761**	**6,219,379**

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

PART A Accounting policies

A.1 – GENERAL CRITERIA

Statement of compliance with International Accounting Standards

Factorit S.p.A., controlled by Banca Popolare di Sondrio S.C.p.a., declares that the financial statements have been prepared in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretation Committee, in force on December 31, 2014 and ratified by the European Commission as per the procedures provided for in EU Regulation No. 1606/2002, supplemented by the provisions in the document issued on December 22, 2014.

General Preparation Principles

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

This Note to the financial statements, with data denominated in units of euros, is based on the application of the following general principles for the drawing up 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 statement of financial position" are measured according to their functional values.
2) Accrual basis. Regardless of the date of their monetary settlement, revenues and costs are recognized in relation to the period in which they are respectively earned and incurred, on an accrual basis.
3) Consistency of presentation. The presentation and classification of captions 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 captions affected by the change with an indication of the effects on the representation of the company's statement of financial position, financial and economic situation. The formats prepared by Banca d'Italia for the financial statements of Financial Intermediaries registered on the "special list" of December 16, 2009 and later revisions were adopted for the purposes of presenting and classifying the captions.
4) Aggregation and materiality. All material classes of captions with a similar nature or function are reported separately. captions 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 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 in order to understand the data contained in the financial statements.

Events subsequent to the reporting date

The Board of Directors authorized the publication of the draft financial statements on March 6, 2015, 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 has not exercised the option set out in articles 117 to 129 of the Italian Consolidated Income Tax Act.

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

In the drafting of these financial statements, the Company has not made any exceptions to the International Accounting Standards.

The appointment of KPMG S.p.A., in accordance with the resolution of the Shareholders' meeting held on April 11, 2014, expires at the approval date of the financial statements of Factorit S.p.A. at December 31, 2022.

A.2 – MAIN FINANCIAL INDICATORS

ASSETS

Section 4 *Available for sale financial assets*

4.1 Classification criteria

This caption included non-derivative financial assets, those not classified as loans and 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 caption 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 maturity 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 is examined. Any subsequent recoveries in value may not exceed the amount of losses from impairment previously reported.

4.4 Derecognition criteria

Financial assets are derecognized when the asset is assigned by assigning the main risks and benefits associated with it, or when the contractual rights to the cash flows arising from the assets mature. In this case, the accounting recognition of the assignment takes place according to the same criteria used for the first entry.

Section 6 *Loans and receivables*

6.1 Classification criteria

The caption includes all on-balance-sheet loans and receivables (regardless of their form) with banks, financial intermediaries and customers, as well as debt securities which the Company does not intend to sell in the short term.

6.2 Recognition criteria

Loans and receivables are initially allocated to this portfolio at the time of disbursement or acquisition and may not be subsequently transferred to other portfolios, nor may financial instruments held in other portfolios 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.

Loans and Receivables also include advances disbursed in connection with assignments of receivables with recourse or those transferred without recourse and without the substantial transfer of risks and benefits.

Loans and receivables assigned to the company and recognized against the assigned debtor – for which a substantial transfer of risks and benefits to the transferee Company is recognized — are also included by analytical evaluation of contractual clauses.

If they are assigned to third parties, loans and receivables 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, loans and receivables are recognized 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 maturity that is more than short-term.

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

The impairment test for receivables takes place in two phases:

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

Based on the criteria specified by Banca d'Italia, the non-performing receivables subject to individual valuation are:

a) doubtful receivables;
b) substandard 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, since the previous financial year 2013, an individual write-down was made on a collective basis, thus applying the same write-down percentage for each loans and receivable for all parties in the same situation. These percentages were based on internal management statistics. Note that the so-called "objective substandard" positions and so-called "impaired past-due" positions were not subject to any discounting.

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

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

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

In particular, in the case of doubtful and substandard 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 individual position in dispute.

Note that since 2013, the company has revised the methods for determining expected recovery times for impaired and doubtful positions; in particular, if there is no indication of the exact recovery date by managers of the positions, recovery times, consistent with the time frames adopted by the Parent, were estimated at 4 years for both impaired positions and for doubtful positions. Concerning the effects of the application as stated, refer to section 8.1 of the income statement in the Explanatory Note.

With reference to collective valuations of performing loans and receivables, groups of similar loans and receivables presenting appreciable signs of qualitative deterioration of the debtors (impaired or substandard 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 loans and receivables within the same portfolio.

The collective valuations of performing loans and receivables were implemented by:

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

6.4 Criteria for reporting income and expenses

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

a) interest received on loans and receivables and securities is allocated to the caption “interest and similar income”
b) impairment losses and reinstatements of value for loans and receivables and securities are allocated to "Netimpairment losses on loans and receivables”.

Section 10 *Property and equipment*

10.1 Classification criteria

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

10.2 Recognition and derecognition criteria

Property and equipment 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, on the other hand, are recognized in the income statement on an accrual basis.

Property and equipment are derecognized at the time of their divestment or when they have fully exhausted their economic functionality and no future economic benefits are expected.

10.3 Valuation criteria

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

10.4 Criteria for recognition of income components

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

a) periodic depreciation, permanent impairment losses, and reinstatements of value are allocated to "Depreciation and net impairment losses on property and equipment";
b) gains and losses arising from sale transactions are allocated to "Gains/(losses) from sale of investments".

Section 11 *Intangible assets*

11.1 Classification criteria

This caption includes intangible production assets with multi-year use, the cost of which can be measured reliably and on condition that it concerns elements that are:

- identifiable, i.e. protected by legal recognition or traded separately from other business assets;
- can be controlled by the Company;
- can generate future economic benefits.

They are represented, in particular, by software and goodwill.

11.2 Recognition and derecognition criteria

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

Intangible assets are derecognized at the time of their divestment or when they have fully exhausted their economic functionality and can no longer generate future economic benefits.

11.3 Valuation criteria

Intangible assets are recorded at cost and decreased by amortization and by any impairment losses.

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

Goodwill is not subject to amortization, but is instead periodically subjected to an impairment test that, in line with IAS 36, compares the accounting value of cash generating units. 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.

Goodwill must be subjected to impairment annually and, in any case, whenever there is objective evidence of the occurrence of events that may have led to their impairment.

11.4 Criteria for recognition of income components

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

a) Periodic amortization, permanent impairment losses and reinstatements of value are allocated to "Amortisation and net impairment losses on intangible assets".

Section 12 *Tax Assets and Liabilities*

12.1 Classification criteria

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

Current tax assets include tax withholdings and tax advances paid in the period; tax liabilities include payables for income tax pertinent to the period.

Deferred tax assets represent either income taxes recoverable in future periods in relation to deductible temporary differences (deferred assets) or income taxes payable in future periods as a result of taxable temporary differences (deferred liabilities).

12.2 Recognition, derecognition and valuation criteria

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

12.3 Criteria for recognition of income components

Tax assets and liabilities are recognized in the income statement under the caption, “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 *Financial liabilities*

1.1 Classification criteria

Payables due to banks include all financial liabilities other than trading liabilities, liabilities valued at fair value and outstanding securities which are part of the typical funding operations of the company.

Payables due to financial entities and customers include the value of consideration that must still be paid to the seller as part of sales of receivables that require the transfer of risks and benefits to the transferee company.

1.2 Recognition and derecognition criteria

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

Payables are derecognized when the relevant contractual rights expire or are extinguished.

1.3 Valuation criteria

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

1.4 Criteria for recognition of income components

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

a) Interest payable is allocated to the caption “interest and similar expenses”.

Section 10 *Post-Employment benefits*

10.1 Classification criteria

Post-Employment benefits reflects existing liabilities to all employees for the indemnity due upon termination of the employment relationship

10.2 Valuation criteria

The provisions for post-employment benefits and defined-benefit and defined-contribution employee pension plans are reported based on the estimates of independent actuaries and are recognized at present values, in accordance with the projected unit credit method provided by IAS 19 for defined benefit plans, as these indemnities fall within this category.

This calculation is performed exclusively on the value of the provisions and not considering allocations for the year to outside complementary pension funds.

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

10.3 Criteria for recognition of income components

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

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

Section 11 *Provisions for risks and charges*

11.1 Classification criteria

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

11.2 Recognition, derecognition and valuation criteria

If the effect of the present value of money becomes significant, the amount allocated is recognized as the present value of charges which are expected to be incurred to fulfill the obligation.

Provisions are derecognized if they are utilized or if the conditions required for their maintenance cease to exist.

11.3 Criteria for recognition of income components

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

Transactions in Foreign Currency

Classification criteria

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

Recognition and derecognition criteria

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

Valuation criteria

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

Criteria for recognition of 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 recognized in the income statement caption “Net trading income (expense).”

Costs and revenues

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

In particular:

- Revenues for one-off commissions relating to disposals of receivables are accounted for based on the duration of the transferred receivables. Commissions earned periodically and postponed are, on the other hand, identified in cash at the time of the debit, matching the related accrual for the period.
- 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 the 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 during the year.

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 inputs 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 inputs 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 determining 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 ratio agreed with the selling counterparty; this ratio 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 captions 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

A.4.5.1. Assets and liabilities at fair value on a recurring basis: breakdown by fair value levels

Financial assets and liabilities measured at fair value	Level 1	Level 2	Level 3	TOTAL
1. Financial assets held for trading	-	-	-	-
2. Financial assets at fair value through profit and loss	-	-	-	-
3. Available for sale. Financial assets	-	-	1,750,000	1,750,000
4. Hedging derivatives	-	-	-	-
5. Property and equipment	-	-	-	-
6. Intangible assets	-	-	-	-
Total assets	-	-	**1,750,000**	**1,750,000**
1. Financial assets held for trading	-	-	-	-
2. Financial assets at fair value through profit and loss	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total liabilities	-	-	-	-

A.5 – INFORMATION ON THE SO-CALLED “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 has not engaged in transactions that entailed the recognition of “day one profit/loss”.

PART B Information on the statement of financial position

ASSETS

Section 1 Cash and cash equivalents – Caption 10

	31/12/2014	31/12/2013
a) Cash	3,856	2,987
b) On demand deposit with Central Banks	-	-
Total	**3,856**	**2,987**

Section 4 Available for sale financial assets – Caption 40

4.1 Available for sale financial assets: product composition

Captions/Values	12/31/2014			12/31/2013		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
- Structured securities	-	-	-	-	-	-
- Other debt securities	-	-	-	-	-	-
2. Equities and OEIC units	**-**	**-**	1,750,000	**-**	**-**	2,250,000
- valued at cost	-	-	1,750,000	-	-	2,250,000
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**1,750,000**	**-**	**-**	**2,250,000**

Equities and OEIC units 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 items were maintained at cost, as it is not possible to determine an accurate fair value.

4.2 Available for sale financial assets: breakdown by debtor/issuer

Captions/Values	12/31/2014	12/31/2013
Financial assets	**1,750,000**	**2,250,000**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Financial institutions	-	-
e) Other issuers	1,750,000	2,250,000
Total	**1,750,000**	**2,250,000**

4.3 Available for sale financial assets: annual changes

Variations/Types	Debt securities	Equities and OEIC units	Loans	Total
A. Initial amounts	**-**	**2,250,000**	**-**	**2,250,000**
B. Increases	**-**	**1,000,000**	**-**	**1,000,000**
B.1 Acquisitions	-	1,000,000	-	1,000,000
B.2 Positive changes in fair value	-	-	-	-
B.3 Value reinstatements	-	-	-	-
- charged to income statement	-	-	-	-
- charged to equity	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-
B.5 Other variations	-	-	-	-
C. Decreases	**-**	**1,500,000**	**-**	**1,500,000**
C.1 Sales	-	-	-	-
C.2 Reimbursements	-	600,000	-	600,000
C.3 Negative changes in fair value	-	-	-	-
C.4 Value adjustments	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-
C.6 Other variations	-	900,000	-	900,000
D. Closing balance	**-**	**1,750,000**	**-**	**1,750,000**

Section 6 *Loans and receivables – Caption 60*

6.1 Loans and receivables with banks

Breakdown	12/31/2014				12/31/2013			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits	**5,288,905**	**-**	**-**	**5,288,905**	**6,216,392**	**-**	**-**	**6,216,392**
2. Loans	**549,326**	**-**	**-**	**549,326**	**609,158**	**-**	**-**	**609,158**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Finance leases	-	-	-	-	-	-	-	-
2.3 Factoring	549,326	-	-	549,326	609,158	-	-	609,158
- with recourse	-	-	-	-	-	-	-	-
- without recourse	549,326	-	-	549,326	609,158	-	-	609,158
2.4 Other loans	-	-	-	-	-	-	-	-
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured securities	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-
4. Other assets	**6,779,351**	**-**	**-**	**6,779,351**	**1,616,107**	**-**	**-**	**1,616,107**
Total	**12,617,582**	**-**	**-**	**12,617,582**	**8,441,657**	**-**	**-**	**8,441,657**

The fair value of loans and receivables with banks is assumed to be equal to the carrying amount, as these are on demand and short term financial assets.

The amount of EUR 5,288,905, under the caption "Current accounts and deposits", represents occasional and temporary deposits at credit institutions that originated from significant cash inflows at the end of the year.

Caption 4 "Other assets" is made up of:

- EUR 142 for receivables from Foreign Correspondents;

- EUR 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;
- EUR 6,081,520 from sums paid to assignors in advance on behalf of credit institutions for pooled factoring operations in which Factorit assumes the role of leader;
- EUR 34.357 for trade receivables.

6.2 Loans and receivables with financial institutions

Breakdown	12/31/2014						12/31/2013					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Performing	Non-performing		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Acquired					Purchased	Other			
1. Financing	**127,813,052**	**-**	**26,596**	**-**	**-**	**127,839,648**	**175,759,532**	**-**	**177,795**	**-**	**-**	**175,937,327**
1.1 Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	102,135,403	-	406	-	-	**102,135,809**	80,956,638	-	2,705	-	-	**80,959,343**
- with recourse	102,023,589	-	406	-	-	**102,023,995**	80,956,638	-	2,705	-	-	**80,959,343**
- without recourse	111,814	-	-	-	-	**111,814**	-	-	-	-	-	-
1.4 Other loans	25,677,649	-	26,190	-	-	**25,703,839**	94,802,894	-	175,090	-	-	**94,977,984**
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**3,446**	-	-	-	-	**3,446**	**4,393**	-	-	-	-	**4,393**
Total	**127,816,498**	**-**	**26,596**	**-**	**-**	**127,843,094**	**175,763,925**	**-**	**177,795**	**-**	**-**	**175,941,720**

The fair value of loans and receivables with financial institutions is assumed to be carrying amount given that these are short-term financial assets on demand, net of adjustments.

Point 1.4 "Other loans" includes EUR 24,803,553 for advances for sales of receivables which do not fall within the scope of Law 52/91 and EUR 900,286 for other loans, solely for performing transactions.

Caption 3, "Other assets" includes EUR 3,446 for receivables from Foreign Correspondents.

6.3 Loans and receivables with customers

Breakdown	12/31/2014						12/31/2013					
	Carrying amount			Fair value			Book value			Fair Value		
	Performing	Non-performing		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Acquired	Other					Purchased	Other			
1 Loans	**1,537,823,692**	**-**	**27,058,021**	**-**	**-**	**1,564,881,713**	**1,546,230,916**		**52,138,166**			**1,598,369,082**
1.1. Finance leases	-	-	-	-	-							
of which: without final purchase option	-	-	-	-	-							
1.2. Factoring	1,523,655,831	-	26,248,351	-	-	1,549,904,182	1,525,213,853		51,841,751			1,577,055,604
- with recourse	1,452,833,841	-	16,859,539	-	-	1,469,693,380	1,435,675,259		39,975,305			1,475,650,564
- without recourse	70,821,990	-	9,388,812	-	-	80,210,802	89,538,594		11,866,446			101,405,040
1.3. Consumer credit	-	-	-	-	-							
1.4. Credit cards	-	-	-	-	-							
1.5. Loans granted in relation to payment services provided	-	-	-	-	-							
1.6. Other loans	14,167,861	-	809,670	-	-	14,977,531	21,017,063		296,415			21,313,478
of which:from enforcement of guarantees and commitments	-	-	-	-	-							
2. Debt securities	-	-	-	-	-							
2.1. Structured securities	-	-	-	-	-							
2.2. Other debt securities	-	-	-	-	-							
3. Other assets	**1,046**	-	-	-	-	**1,046**	**1,084**					**1,084**
Total	**1,537,824,738**	**-**	**27,058,021**	**-**	**-**	**1,564,882,759**	**1,546,232,000**		**52,138,166**			**1,598,370,166**

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

Non-performing assets are recognized at their presumed collection values.

Performing "Other loans" includes:

- inancing for EUR 5,692,039;
- charges payable by transferred debtors on payment extensions granted to them for EUR 1,138,743;
- advances for sales of receivables which do not fall within the scope of Law 52/91, for EUR 7,258,035;
- postal current accounts for EUR 79,044.

Non performing "Other loans" are as follows:

- non-performing for EUR 57,260, for advances related to sales of receivables which do not fall within the scope of Law 52/91, and for EUR 8 for other loans;
- doubtful for EUR 348,763 for other loans and EUR 5,897 for fees due from assigned debtors on payment extensions granted to them;
- restructured for EUR 348,447 for other loans;
- matured for EUR 49,295 for fees due from assigned debtors.

6.4 Loans and receivables: secured assets

	12/31/2014						12/31/2013					
	Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers		Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers	
	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV	EV	GV
1. Performing assets secured by:	**-**	**-**	**100,977,913**	**100,977,913**	**1,435,824,802**	**1,401,690,676**	**-**	**-**	**80,102,026**	**80,098,172**	**1,417,417,951**	**1,415,322,521**
- Assets under finance leases	-	-	-	-	-	-	-	-	-	-	-	-
- Factoring receivables	-	-	100,977,913	100,977,913	1,434,102,790	1,399,968,664	-	-	80,102,026	80,098,172	1,414,479,458	1,412,384,028
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	1,722,012	1,722,012	-	-	-	-	2,938,493	2,938,493
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Non performing assets secured by:	**-**	**-**	**-**	**-**	**10,140,708**	**10,140,708**	**-**	**-**	**-**	**-**	**36,036,337**	**23,865,449**
- Assets under finance leases	-	-	-	-	-	-	-	-	-	-	-	-
- Factoring receivables	-	-	-	-	9,027,441	9,027,441	-	-	-	-	33,976,022	21,805,134
- Mortgages	-	-	-	-	393,855	393,855	-	-	-	-	1,552,122	1,552,122
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Personal guarantees	-	-	-	-	719,412	719,412	-	-	-	-	508,193	508,193
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**100,977,913**	**100,977,913**	**1,445,965,510**	**1,411,831,384**	**-**	**-**	**80,102,026**	**80,098,172**	**1,453,454,288**	**1,439,187,970**

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

The table above illustrates collateral and guarantees received in connection with performing and non-performing assets.

In compliance with the regulations on sales of receivables which do not fall within the scope of Law 52/91, "Factoring receivables" do not include "other sales." The amounts are classified by type of guarantee and by business segment of the party guaranteed. In the case of guarantees with value that exceeds the amount of the asset guaranteed, the column "fair value of collateral and guarantees" indicates the value of the asset secured.

Loans and receivables acquired through without recourse factoring transactions, if guaranteed, are indicated in the pertinent technical form of guarantees.

If there was more than one guarantee underlying advances paid to assignors in transactions for the assignments of receivables with recourse and underlying receivables acquired through without recourse factoring transactions, the order of priority was as follows:

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

Section 10 *Property and equipment– Caption 100*

10.1 Property and equipment with functional use: breakdown of assets valued at cost

Caption/Measurement	12/31/2014	12/31/2013
1. Property and equipment owned by the company	**418,577**	**502,312**
a) land	-	-
b) buildings	-	-
c) furniture	211,041	240,889
d) electronic systems	15,989	14,335
e) other	191,547	247,088
2. Property and equipment under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**418,577**	**502,312**

10.5 Tangible assets with functional use: annual changes

	Land	Buildings	Furniture	Electronic Systems	Other	Total
A. Gross initial amount			**1,686,042**	**3,105,504**	**747,999**	**5,539,545**
A.1 Net total reductions in value			1,445,153	3,091,169	500,911	5,037,233
A.2 Net initial amount			**240,889**	**14,335**	**247,088**	**502,312**
B. Increases			**8,725**	**6,714**	**57,979**	**73,418**
B.1 Purchases			8,725	6,714	57,979	73,418
B.2 Capitalized expenses for improvements			-	-	-	-
B.3 Value reinstatements			-	-	-	-
B.4 Fair value gains recognized in:			-	-	-	-
a) 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			**38,573**	**5,060**	**113,520**	**157,153**
C.1 Sales			-	-	120	120
C.2 Amortisation			38,573	5,060	113,400	157,033
C.3 Impairment losses recognized in:			-	-	-	-
a) equity			-	-	-	-
b) income statement			-	-	-	-
C.4 Fair value losses recognized in:			-	-	-	-
a) shareholders' equity			-	-	-	-
b) income statement			-	-	-	-
C.5 Negative foreign 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 final amount			**211,041**	**15,989**	**191,547**	**418,577**
D.1 Net total reductions in value			1,349,613	3,096,228	698,363	5,144,204
D.2 Gross final amount			**1,560,654**	**3,112,217**	**889,910**	**5,562,781**
E. Valuation at cost			**211,041**	**15,989**	**191,547**	**418,577**

Section 11 *Intangible assets – Caption 110*

11.1 Composition of caption 110 "Intangible assets"

Captions/Valuation	12/31/2014		12/31/2013	
	Assets valued at cost	Assets valued at FV	Assets valued at cost	Assets valued at FV
1 Goodwill	**-**	**-**	**1,111,626**	**-**
2 Other intangible assets				
2.1 Owned by the company	149,618	-	136,592	-
- internally generated	-	-	-	-
- other	149,618	-	136,592	-
2.2 Acquired under finance lease	-	-	-	-
Total 2	**149,618**	**-**	**136,592**	**-**
3 Assets related to finance leasing agreements				
3.1 Unredeemed assets	-	-	-	-
3.2 Assets retired following termination of agreement	-	-	-	-
3.3 Other assets	-	-	-	-
Total 3	**-**	**-**	**-**	**-**
4 Assets granted with operating leases	**-**	**-**	**-**	**-**
Total (1+2+3+4)	**149,618**	**-**	**1,248,218**	**-**

The residual value of goodwill of EUR 1,111,626, generated by the merger in 1999 of Factorit with the company In Factor was subjected to impairment tests performed on the basis of the projections of future profits relative to the single Cash Generating Unit; the procedure was subjected to an examination by the competent bodies.

Based on the test's result, together with the above considerations on the continuous macroeconomic deterioration in recent years, it is believed that the conditions that led to the inclusion of goodwill in the financial statements have changed; the profitability of customers earned from In Factor has continued to drop, and, pursuant to the aforementioned IAS 36, there is no longer objective evidence of expected future economic benefits.

It thus became necessary to adjust the value of goodwill by a corresponding amount.

11.2 Intangible assets: annual changes

	Total
A. Initial amount	**1,248,218**
B. Increases	**74,088**
B.1 Purchases	74,088
B.2 Reversal of impairment losses	-
B.3 Fair value gains recognized in:	-
- equity	-
- income statement	-
B.4 Other changes	-
C. Decreases	**1,172,688**
C.1 Sales	-
C.2 Amortisation	61,062
C.3 Value provisions	-
- equity	-
- income statement	1,111,626
C.4 Fair value losses recognized in:	-
- equity	-
- income statement	-
C.5 Other changes	-
D. Final amount	**149,618**

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 Breakdown of caption 120, "Tax assets: current and deferred"

Captions	Total 12/31/2014	Total 12/31/2013
Current tax assets	14,257,046	20,565,145
Deferred tax assets (through equity)	94,181	47,404
Deferred tax assets (through profit and loss)	28,177,445	29,392,228
Total	**42,528,672**	**50,004,777**

Deferred tax assets refer to taxes generated from costs which were booked through profit and loss and equity and whose deductibility is deferred to future years, in accordance with the provisions of current tax laws. They primarily regard write-downs of loans and 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 loans and receivables and losses on loans and receivables.

12.2 Breakdown of caption 70 "Tax liabilities: current and deferred"

Designations	Total 12/31/2014	Total 12/31/2013
Current tax liabilities	11,674,467	16,329,761
Deferred tax liabilities (through equity)	2,039,162	2,039,162
Deferred tax liabilities (through profit and loss)	4,269	384,634
Total	**13,717,898**	**18,753,557**

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).

12.3 Changes in deferred tax assets (through profit and loss)

	12/31/2014	12/31/2013
1. Initial amount	**29,392,228**	**26,778,381**
2. Increases	**2,439,091**	**4,920,064**
2.1 Deferred tax assets recognized in the year	2,439,091	4,920,064
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) reversal of impairment losses	-	-
d) other	2,439,091	4,920,064
2.2 New taxes or tax rate increase	-	-
2.3 Other increases	-	-
3. Decreases	**3,653,874**	**2,306,217**
3.1 Deferred tax assets eliminated in the year	3,653,874	2,306,217
a) reversals	3,653,874	2,306,217
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rates reductions	-	-
3.3 Other decreases	-	-
a) transformation into tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Final amount	**28,177,445**	**29,392,228**

Deferred tax assets recognized in the year (2) refer to prepaid taxes which emerged during the year with regard to allocations of provisions for risks and changes in actuarial gains/losses of pension funds, 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-offs of loans and receivables and losses on loans and 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.

Deferred tax assets eliminated in 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-offs of loans and 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 deferred tax assets as per Italian Law 214/2011 (through profit and loss)

	12/31/2014	12/31/2013
1. Initial amount	**26,845,768**	**24,601,540**
2. Increases	**1,897,871**	**3,788,966**
3. Decreases	**2,491,981**	**1,544,738**
3.1 Reversals	2,491,981	1,544,738
3.2 Transformation into tax credits	-	-
a) resulting from losses over the year	-	-
b) resulting from tax losses	-	-
3.3 Other changes	-	-
4. Final amount	**26,251,658**	**26,845,768**

12.4 Changes in deferred taxes liabilities (through profit and loss)

	12/31/2014	12/31/2013
1. Initial amount	**384,634**	**345,005**
2. Increases	**-**	**39,629**
2.1 Deferred tax liabilities recognized in the year	-	39,629
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	39,629
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**380,365**	**-**
3.1 Deferred tax liabilities eliminated in the year	380,365	-
a) reversals	379,604	-
b) due to changes in accounting criteria	-	-
c) other	761	-
3.2 Tax rates reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**4,269**	**384,634**

12.5 Changes in deferred tax assets (through equity)

	12/31/2014	12/31/2013
1. Initial amount	**47,404**	**78,835**
2. Increases	**46,777**	**-**
2.1 Deferred tax assets recognized in the year	46,777	-
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	46,777	-
2.2 New taxes or tax rates increases	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**31,431**
3.1 Deferred tax assets eliminated in the year	-	31,431
a) reversals	-	-
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	31,431
3.2 Tax rates reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**94,181**	**47,404**

12.6 Changes in deferred tax liabilities (through equity)

	12/31/2014	12/31/2013
1. Initial amount	**2,039,162**	**2,039,162**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognized in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**-**	
3.1 Deferred tax liabilities eliminated in the year	-	-
a) reversals	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rates reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**2,039,162**	**2,039,162**

Section 14 *Other assets – Caption 140*

14.1 Breakdown of caption 140 “Other assets”

	12/31/2014	12/31/2013
Tax credits (not classifiable as tax assets)	555,847	583,944
Captions in progress	5,054,203	1,934,390
Advances to suppliers	8,971	-
Pre-payments and accrued income not recognized under specific caption	668,997	794,830
Other captions	1,239,195	1,886,336
Total	**7,527,213**	**5,199,500**

The caption “Tax Credits” includes the amount of EUR 284,546 for virtual stamp duty for the advance for the year 2015.

This caption also includes EUR 219,100 for the refund request due to the deductibility of IRAP from IRES for personnel expenses for the years 2010 and 2011.

In “Other captions,” EUR 737,391 refers to sums paid following lower court decisions which the company has appealed or challenged.

LIABILITIES

Section 1 *Financial Liabilities - Caption 10*

1.1 Financial Liabilities

Captions	12/31/2014			12/31/2013		
	Due to banks	Due to financial institutions	Due to customers	Due to banks	Due to financial institutions	Due to customers
1. Loans	1,494,441,314	-	-	1,578,899,748	-	-
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other loans	1,494,441,314	-	-	1,578,899,748	-	-
2. Other liabilities	6,642,940	401,022	4,537,272	7,784,059	371,298	5,660,112
Total	1,501,084,254	401,022	4,537,272	1,586,683,807	371,298	5,660,112
Fair value Level 1						
Fair value Level 2						
Fair value Level 3	1,501,084,254	401,022	4,537,272	1,586,683,807	371,298	5,660,112
Total fair value	1,501,084,254	401,022	4,537,272	1,586,683,807	371,298	5,660,112

For comparative purposes, the data as December 31, 2013, totaling EUR 4,784,926 and relating to "On demand liabilities to customers", that, in the previous year were allocated under the caption "Other liabilities", have been reclassified in line with the supervision reporting.

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

The amount due to banks refers to:

Technical form	Amount
Bank account exposures on demand	31,601,243
Advances subject to collection on cash orders or direct debits	95,560,038
Expiring short-term overdraft facility	229,000,000
Commissions to be paid	1,988,033
Supplier invoices and supplier invoices to be received	1,380,821
Liabilities to Parent	1,139,410,881
Accrued liabilities on short-term overdraft facilities	43,133
Liabilities to principals	2,100,105
Other liabilities	-
Total	1,501,084,254

The caption “Other payables” to financial institutions refers to invoices received and to be received for pooling operations entirely.

The caption “Other payables” to customers is comprised of liabilities for factoring with reference to receivables from debtors sold recognized in the financial statements.

Section 7 *Tax liabilities – Caption 70*

Information on “tax liabilities” is presented in section 12 – “Tax assets and tax liabilities” of the assets side.

Section 9 *Other liabilities – Caption 90*

9.1 Breakdown of caption 90 “Other liabilities”

	12/31/2014	12/31/2013
Taxes to be paid to tax authorities	609,025	559,256
Due to employees	148,884	159,595
Due to social security entities	547,865	550,877
Due to suppliers	856,986	1,441,871
Invoices to be received	1,403,538	1,480,699
Amounts to be credited under processing	11,413,331	18,925,902
Provision for guarantees and commitments	403,994	2,127,896
Other captions	5,125,801	5,012,101
Total	**20,509,424**	**30,258,197**

For comparative purposes, the data as at December 31, 2013, totaling EUR 4,784,926 and relating to "On demand payables to customers", that were allocated under the caption "Payables", has been reclassified in line with the supervision reporting.

“Amounts to be credited – under processing” is comprised of the following:

- EUR 9,310,448 for amounts collected from customers;
- EUR 2,050,019 for bills yet to be credited.
- EUR 52,864 for bills after cashing.

"Other items" is comprised as follows:

- EUR 2,511,737 for deferred liabilities due to the allocation on an accrual basis in relation to the duration of the receivable underlying commissions invoiced to customers;
- EUR 2,614,064 for captions not chargeable to the previous captions.

Section 10 *Post-employment benefits – Caption 100*

10.1 Post-employment benefits: annual changes

	12/31/2014	12/31/2013
A. Initial amount	**2,123,354**	**2,233,450**
B. Increases	**253,800**	**52,151**
B.1 Provisions in the year	83,701	52,151
B.2 Other increases	170,099	-
C. Decreases	**52,892**	**162,247**
C.1 Benefits paid	29,185	43,398
C.2 Other decreases	23,707	118,849
D. Final amount	**2,324,262**	**2,123,354**

The provisions for post-employment benefits qualify as defined-benefit plans under IAS 19 and have thus been valued using the “projected unit credit method”.

The actuarial calculation makes the following assumptions:

	12/31/2014	12/31/2013
Technical discount rate	1.88%	3.00%
Annual inflation rate	1.5%	1.5%
Annual increase in employee severance pay	2.50%	2.65%

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

11.1 Breakdown of caption 110 “Provisions for risks and charges”

	12/31/2014	12/31/2013
1. Pension and similar provisions	-	-
2. Other provisions for risks and charges	6,422,740	7,128,307
2.1 Legal disputes	5,536,037	5,955,215
2.2 Personnel expenses	886,703	1,173,092
2.3 Other	-	-
Total	**6,422,740**	**7,128,307**

"Legal disputes" include the provisions intended to cover presumed losses:

- bankruptcy revocatory actions for EUR 1,211,332;
- in action brought against the company for EUR 4,324,705.

The caption “Personnel charges” comprises:

- Personnel training EUR 80,948;
- Other personnel expenses EUR 805,755.

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

	Retirement funds	Other funds	12/31/2014
A. Initial amount	**-**	**7,128,307**	**7,128,307**
B. Increases	**-**	**1,717,000**	**1,717,000**
B.1 Provisions in the year	-	1,717,000	1,717,000
B.2 Due to the passage of time	-	-	-
B.3 Due to fluctuations in discount rate	-	-	-
B.4 Other decreases	-	-	-
C. Decreases	**-**	**2,422,567**	**2,422,567**
C.1 Uses in the year	-	678,113	678,113
C.2 Due to fluctuations in discount rate	-	-	-
C.3 Other decreases	-	1,744,454	1,744,454
D. Final amount	**-**	**6,422,740**	**6,422,740**

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

12.1 Breakdown of caption 120 “Share capital”

Types	12/31/2014
1. Share Capital	85,000,002
1.1 Ordinary shares	85,000,002
1.2 Other shares	-

Share capital consists of 85,000,002 shares with a face value of 1 EUR.

12.2 Breakdown of caption 130 "Treasury shares"

As of 12/31/2014 and 12/31/2013 Factorit S.p.A. does not hold treasury shares.

12.3 Breakdown of caption 140 "Equities"

As of 12/31/2014 and 12/31/2013 Factorit S.p.A. has not issued equity instruments other than shares that form part of share capital.

12.4 Breakdown of caption 150 "Share premium"

The "share premium" is equal to EUR 11,030,364.

12.5 Other information

Availability and distributability of equity.

Nature	Amount	Use	Share available	Summary of utilization in the three previous years	
				To cover losses	For other reasons
Share Capital	85,000,002	-	-	-	-
Capital reserves	-	-	-	-	-
Profit reserves					
Legal reserve	8,559,639	B	-	-	-
Share premium reserve	11,030,364	A-B	8,440,361	-	-
Share premium reserve	-	A-B-C	2,590,003	-	-
Other reserves	78,347,991	A-B-C	78,347,991	-	-
Profit carried forward	271,386	A-B-C	271,386	-	-
Total	**183,209,382**		**89,649,741**	**-**	**-**
Amount not distributable	**-**	**-**	**8,440,361**	**-**	**-**
Residual distributable amount	**-**	**-**	**81,209,380**	**-**	**-**

*Key: A – for share capital increase; B – for coverage of losses; C – for distribution.***Errore. Il collegamento non è valido.**

Note that "Other reserves" include the non-distributable first-time adoption reserve, for EUR 5,350,212, the stock option reserve not exercised for EUR 304,394 and the non-distributable post-employment benefits profit/loss reserve for EUR -176.743.

12.6 Breakdown caption 170 "Valuation reserves"

Valuation reserves come to EUR -176,743 and relate to actuarial gains/losses on post-employment benefits entirely.

PART C Information on the Income Statement

Section 1 *Interest – Captions 10 and 20*

1.1 Breakdown of caption 10 "Interest and similar income"

Captions/Technical forms	Debt securities	Loans	Other Transactions	12/31/2014	12/31/2013
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets at fair value through profit and loss	-	-	-	-	-
3. Available for sale financial assets	-	-	-	-	-
4. Financial assets held until maturity	-	-	-	-	-
5. Loans and receivables	-	49,948,540	-	49,948,540	59,681,275
5.1 With banks	-	20,974	-	20,974	32,440
5.2 With financial institutions	-	4,921,732	-	4,921,732	4,140,695
5.3 With customers	-	45,005,834	-	45,005,834	55,508,140
6. Other assets	-	-	662	662	300
7. Hedging derivatives	-	-	-	-	-
Total	-	49,948,540	662	49,949,202	59,681,575

1.2 Interest and similar income: other information

Interest receivable on financial assets for receivables due from customers come to EUR 838,300 (for EUR 1,013,166 in 2013).

1.3 Breakdown of caption 20 "Interest and similar expense"

Captions/Technical forms	Debt securities	Loans	Other Transactions	12/31/2014	12/31/2013
1. Due to banks	(12,089,064)		-	(12,089,064)	(18,019,951)
2. Due to financial institutions	-		-	-	-
3. Due to customers	-		-	-	-
4. Securities issued		-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit and loss	-	-	-	-	-
7. Other liabilities			(40)	(40)	(6)
8. Hedging derivatives			-	-	-
Total	(12,089,064)	-	(40)	(12,089,104)	(18,019,957)

Section 2 *Fee and commission – Captions 30 and 40*

2.1 Breakdown of caption 30 “Fee and commission income”

Analysis	12/31/2014	12/31/2013
1. Finance lease transactions	-	-
2. Factoring transactions	29,790,577	30,631,026
3. Consumer credit	-	-
4. Merchant banking operations	-	-
5. Guarantees issued	-	-
6. Services:	-	-
- fund management on behalf of third parties	-	-
- currency brokerage	-	-
- distribution of products	-	-
- other	-	-
7. Collection and payment services	-	-
8. Servicing on securitisation transactions	-	-
9. Other commission	2,190,905	2,533,211
Total	31,981,482	33,164,237

It should be noted that starting in 2013, as part of its factoring accounting, the company uses a computer application that makes it possible to allocate one-time commissions based on the maturity of the receivables sold. As at December 31, 2014 this amounts is equal to EUR 2,511,737. The sub-caption "Other commissions” refers to compensation received for transactions which do not fall within the purview of Law 52/91 (other financing, other sales, etc.).

2.2 Breakdown of caption 40 “Fee and commission expense”

Detail/Sectors	12/31/2014	12/31/2013
1. Guarantees received	(160,910)	(204,451)
2. Distribution of third party services	-	-
3. Collection and payment services	-	-
4. Other commission	(5,072,914)	(5,606,989)
4.1 Factoring operations	(3,410,596)	(3,939,934)
4.2 Other	(1,662,318)	(1,667,055)
Total	(5,233,824)	(5,811,440)

Similar to what was reported under caption 30, “fee and commissions expense” that are based on one-time commissions receivable are allocated using the same criteria. As at December 31, 2014 this amounts is equal to EUR 162,112.

Section 4 *Net Trading Income (loss) – Caption 60*

4.1 Composition of caption 60 “Net trading income (loss)”

The caption shows EUR 29,021 in point 3 “Other Financial assets and liabilities: exchange rate differences".

Section 8 Net impairment losses on loans and receivables – Caption 100

8.1 "Net impairment losses on loans and receivables"

Captions/Adjustments	Impairment losses		Reversal of impairment losses		12/31/2014	12/31/2013
	Individual	Collective	Individual	Collective		
1. Loans and receivables with banks				**146**	**146**	
- for leases						
- for factoring				146	146	
- other receivables						
2. Loans and receivables with financial institutions	**(151,200)**			**714,371**	**563,171**	**6,536**
Non performing receivables acquired						
- for leases						
- for factoring						
- other loans and receivables						
Other receivables	(151,200)			714,371	563,171	**6,536**
- for leases						
- for factoring	(2,300)				(2,300)	6,536
- other loans and receivables	(148,900)			714,371	565,471	
3. Loans and receivables with customers	**(20,013,613)**		**4,475,623**	**7,800,986**	**(7,737,004)**	**(14,328,301)**
Non-performing receivables acquired						
- for leases						
- for factoring						
- for consumer credit						
- other loans receivables						
Other loans and receivables	(20,013,613)		4,475,623	7,800,986	**(7,737,004)**	**(14,328,301)**
- for leases						
- for factoring	(12,095,185)		3,901,342	7,629,966	(563,877)	(15,667,045)
- for consumer credit						
- other loans and receivables	(7,918,428)		574,281	171,020	(7,173,127)	1,338,744
Total	**(20,164,813)**		**4,475,623**	**8,515,503**	**(7,173,687)**	**(14,321,765)**

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

8.4 Composition of sub-caption 100.b "Net impairment losses on other financial assets"

Captions/Adjustments	Impairment losses		Reversal of impairment losses		Total	
	Individual	Collective	Individual	Collective	12/31/2014	12/31/2013
A. Guarantees issued	(272,035)	-	1,995,939	-	1,723,904	259,495
B. Derivatives on receivables	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-
D. Other assets	-	-	-	-	-	-
E. Total	**(272,035)**	**-**	**1,995,939**	**-**	**1,723,904**	**259,495**

Section 9 *Administrative expenses – Caption 110*

9.1 Breakdown of caption 110.a “Personnel expenses”

Captions/Sectors	12/31/2014	12/31/2013
1. Salaried employers	**(11,644,114)**	**(11,850,343)**
a) Wages and salaries	(8,115,446)	(8,210,007)
b) Payroll taxes	(2,259,104)	(2,348,625)
c) Severance pay	-	-
d) Social security charges	-	-
e) Post-employment benefits	(83,701)	(52,151)
f) Pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) Payments to external pension funds:	(655,371)	(650,852)
- defined contribution plans	(655,371)	(650,852)
- defined benefit plans	-	-
h) Other expenses	(530,492)	(588,708)
2. Other personnel in service	**(127,890)**	**(167,650)**
3. Directors and Statutory Auditors	**(317,034)**	**(316,738)**
4. Retired personnel	**-**	**-**
5. Recovery of expenses for employees seconded to other entities	**109,622**	**73,723**
6. Reimbursements of expenses for employers seconded to the company	**(80,762)**	**(84,362)**
Total	**(12,060,178)**	**(12,345,370)**

The sub-caption “Directors and statutory auditors” includes “Civil liability policy” premium, equal to EUR 46,133, for directors and statutory auditors for risk coverage.

9.2 Average number of employees by category

Type/Unit	12/31/2014		12/31/2013	
	Average	Year-end	Average	Year-end
Employees	**165**	**163**	**160**	**164**
a) executives	5	5	5	5
b) middle managers	64	65	65	65
of which levels 3 and 4	39	39	39	40
c) white-collar workers	96	93	90	94
Other personnel	**8**	**9**	**14**	**10**

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

9.3 Breakdown of caption 110.b "Other administrative expenses"

	12/31/2014	12/31/2013
a) expenses related to real estate:	(1,514,881)	(1,527,985)
- rents and building maintenance	(1,471,203)	(1,481,052)
- energy, water and heating	(43,678)	(46,933)
Indirect taxes and duties	(2,029,330)	(1,945,082)
Postal, telephone, printing and other office expenses	(465,889)	(457,085)
Maintenance expenses and charges for furniture, equipment and systems	(473,478)	(310,966)
Professional services and consulting expenses	(877,094)	(404,739)
Legal costs	(2,760,834)	(2,991,680)
Advertising, entertainment and giftsexpenses	(127,887)	(78,980)
Insurance premiums	(59,483)	(68,541)
Business travel expenses and other charges associated with personnel	(498,544)	(514,111)
Outsourced activities expense	(1,301,929)	(1,249,610)
Third parties' data registration expenses	(505,208)	(556,957)
Memberships expenses	(59,561)	(65,980)
Sundry administrative expenses	(321,309)	(388,655)
Total	**(10,995,427)**	**(10,560,371)**

The increase in administrative expenses compared with the previous year was mainly due to the increase in costs for professional services and consultancy.

Section 10 *Depreciation and net impairment losses on property and equipment – Caption 120*

10.1 Breakdown of caption 120 "Depreciation and net impairment losses on property and equipment"

Caption/Impairment losses/Reversal on impairment losses	Depreciation (a)	Impairment losses (b)	Reversal on impairment losses (c)	Net result (a+b-c)
1. Property and equipment used in operations	**(157,033)**	**-**	**-**	**(157,033)**
1.1 Owned	(157,033)	-	-	(157,033)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(38,573)	-	-	(38,573)
d) capital goods	(5,060)	-	-	(5,060)
e) other	(113,400)	-	-	(113,400)
1.2 Acquired under finance lease agreements	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) capital goods	-	-	-	-
e) other	-	-	-	-
2. Assets held for investment purposes	**-**	**-**	**-**	**-**
Total	**(157,033)**	**-**	**-**	**(157,033)**

Section 11 *Amortisation and net impairment losses on intangible assets – Caption 130*

11.1 Breakdown of caption 130 "Amortisation and net impairment losses on intangible assets"

Captions/Impairment losses/Reversal of impairment losses	Depreciation (a)	Value adjustments for impairment (b)	Value reinstatements (c)	Net result (a+b-c)
1. Goodwill	-	**(1,111,626)**	-	**(1,111,626)**
2. Other intangible assets	**(61,062)**	-	-	**(61,062)**
2.1 owned by the company	(61,062)	-	-	(61,062)
2.2 acquired under finance lease agreements	-	-	-	-
3. Assets associated with finance lease	-	-	-	-
4. Assets on operating leases	-	-	-	-
Total	**(61,062)**	**(1,111,626)**	-	**(1,172,688)**

Goodwill is entirely zeroed with this adjustment. For more information, please refer to caption 110 "Intangible assets" of the Explanatory Notes.

Section 13 *Net accruals to provisions for risks and charges – Caption 150*

13.1 Breakdown of caption 150 "Net accruals to provisions for risks and charges"

	Provisions	Releases	12/31/2014	12/31/2013
1. Allocations to retirement fund	-	-	-	-
2. Allocations to other provisions for risks and charges:	**(1,366,000)**	**1,744,454**	**378,454**	**(1,835,500)**
a) legal disputes and revocatory actions	(1,366,000)	1,744,454	378,454	(1,835,500)
b) expenses for personnel	-	-	-	-
c) other	-	-	-	-
Total	**(1,366,000)**	**1,744,454**	**378,454**	**(1,835,500)**

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

14.1 Breakdown of caption 160 "Other operating income"

	12/31/2014	12/31/2013
- tax recovery	273,783	220,302
- recovery of administrative expenses	1,375,140	1,301,868
- proceeds for IT services rendered	671,687	842,641
- other	771,807	1,145,018
Total	**3,092,417**	**3,509,829**

The sub-caption "Other" includes EUR 6,807 in revenues for activities connected to factoring and other assignments.

14.2 Breakdown of caption 160 “Other operating expenses”

	12/31/2014	12/31/2013
- other	(264,954)	(400,863)
Total	**(264,954)**	**(400,863)**

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

16.1 Breakdown of caption 180 "Net income (Loss) from the sale of investments"

	12/31/2014	12/31/2013
A. Real estate	**-**	**-**
- Net income from sales	-	-
- Losses from sales	-	-
B. Other assets	**16,418**	**4,508**
- Net income from sales	16,418	4,508
- Losses from sales	-	-
Net profit	**16,418**	**4,508**

Section 17 *Income taxes – Caption 190*

For fiscal year 2014 as well, Factorit was not subject to the national consolidated tax system, as the Parent did not exercise the option set out in articles 117 to 129 of the Italian Consolidated Income tax Act.

Tax due reflect a reasonable expectation of taxes for the year, based on tax laws in effect.

17.1 Breakdown of caption 190 “Income taxes”

	12/31/2014	12/31/2013
1. Current taxes (-)	(11,674,467)	(16,329,761)
2. Changes in current taxes of previous years (+/-)	-	-
3. Reduction in current taxes for the year (+)	-	-
3.bis Reduction in current taxes for the year for tax credits pursuant to Law no. 214/2011	-	-
4. Change in deferred tax assets (+/-)	(1,214,784)	2,613,847
5. Change in deferred tax liabilities (+/-)	380,365	(39,629)
6. Income taxes (-) (-1+/-2+3/-4+/-5)	**(12,508,886)**	**(13,755,543)**

Current taxes include IRES at 27.50% and IRAP at 5.57%.

17.2 Reconciliation of theoretical tax charge to total income tax expense

Captions	IRES (Corporate Income Tax)		IRAP (Regional Income Tax)		
	Taxable income	Tax	Taxable income	Tax	Total
Pre-tax profit	38,024,003	10,456,601	38,024,003	2,117,937	
Tax credits	-	-	-	-	
Permanent increases	2,166,956	595,913	21,571,953	1,201,558	
Permanent decreases	(2,000,802)	(550,220)	(9,497,256)	(528,997)	
Temporary increases	2,145,459	590,001	-	-	
Temporary increases (for the year pursuant to Law 214/2011)	5,738,949	1,578,211	5,738,949	319,659	
Temporary decreases	(12,898,435)	(3,547,070)	(10,038,172)	(559,126)	
Actual tax charge	**33,176,130**	**9,123,436**	**45,799,477**	**2,551,031**	**(11,674,467)**

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

There are no figures for this section.

Section 19 *Income statement: other information*

19.1 Analytical composition of interest and commission income

Captions/counterparty	Interest income			Commissions income			12/31/2014	12/31/2013
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- movable assets	-	-	-	-	-	-	-	-
- capital equipment	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	**4,921,732**	**45,005,834**	**158,315**	**2,186,777**	**29,636,390**	**81,909,048**	**92,813,072**
- on current receivables	-	3,541,186	37,256,769	-	578,688	29,028,528	70,405,171	79,690,563
- on future receivables	-	-	899,107	-	-	183,361	1,082,468	750,427
- on receivables acquired on a permanent basis	-	-	-	-	-	-	-	-
- on receivables acquired for less than their original value	-	-	-	-	-	-	-	-
- for other financing	-	1,380,546	6,849,958	158,315	1,608,089	424,501	10,421,409	12,372,082
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- targeted loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	-	**4,921,732**	**45,005,834**	**158,315**	**2,186,777**	**29,636,390**	**81,909,048**	**92,813,072**

19.2 Other information

Analytical composition of interest payable and similar expense.

Technical form	Amount
Current account overdrafts	(835,681)
Advances subject to collection	(763,816)
Short-term overdraft facility	(10,021,939)
Advances in foreign currencies	(467,615)
Contingent losses and other interest payable	(53)
Total	**(12,089,104)**

PART D Other information

Section 1 Details on activities

B. FACTORING AND SALE OF RECEIVABLES

B.1 Gross carryng amount

B.1.1 - Factoring transactions

Captions/Amounts	12/31/2014			12/31/2013		
	Gross value	Impairment Losses	Net value	Gross value	Impairment Losses	Net value
1. Performing assets	**1,639,061,510**	**12,720,950**	**1,626,340,560**	**1,618,842,587**	**12,062,938**	**1,606,779,649**
- exposures to assignors (with recourse)	1,566,912,765	12,055,335	1,554,857,430	1,527,999,275	11,367,378	1,516,631,897
- disposal of future receivables	43,549,990	148,056	43,401,934	20,810,826	214,719	20,596,107
- other	1,523,362,775	11,907,279	1,511,455,496	1,507,188,449	11,152,659	1,496,035,790
- exposures to assigned debtors (without recourse)	72,148,745	665,615	71,483,130	90,843,312	695,560	90,147,752
2. Impaired assets	**81,561,188**	**55,312,431**	**26,248,757**	**117,135,422**	**65,290,966**	**51,844,456**
2.1 Doubtful assets	**43,527,913**	**40,942,046**	**2,585,867**	**52,070,433**	**43,097,238**	**8,973,195**
- exposures to assignors (with recourse)	36,156,764	33,570,897	2,585,867	45,411,266	36,438,071	8,973,195
- disposal of future receivables	535,778	460,027	75,751	1,270,549	1,127,588	142,961
- other	35,620,986	33,110,870	2,510,116	44,140,717	35,310,483	8,830,234
- exposures to assigned debtors (without recourse)	7,371,149	7,371,149	-	6,659,167	6,659,167	-
- acquisitions at less than face value	371,522	371,522	-	-	-	-
- other	6,999,627	6,999,627	-	6,659,167	6,659,167	-
2.2 Substandard assets	**32,199,277**	**13,394,182**	**18,805,095**	**52,604,808**	**20,186,553**	**32,418,255**
- exposures to assignors (with recourse)	17,771,898	8,236,809	9,535,089	37,650,542	16,134,846	21,515,696
- disposal of future receivables	683,311	362,549	320,762	130,697	56,337	74,360
- other	17,088,587	7,874,260	9,214,327	37,519,845	16,078,509	21,441,336
- exposures to assigned debtors (without recourse)	14,427,379	5,157,373	9,270,006	14,954,266	4,051,707	10,902,559
- acquisitions at less than face value	74,834	74,834	-	-	-	-
- other	14,352,545	5,082,539	9,270,006	14,954,266	4,051,707	10,902,559
A.3 Restructured exposures	**5,216,919**	**920,667**	**4,296,252**	**9,812,220**	**1,768,859**	**8,043,361**
- exposures to assignors (with recourse)	5,216,919	920,667	4,296,252	9,812,220	1,768,859	8,043,361
- disposal of future receivables	-	-	-	-	-	-
- other	5,216,919	920,667	4,296,252	9,812,220	1,768,859	8,043,361
- exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- acquisitions at less than face value	-	-	-	-	-	-
- other	-	-	-	-	-	-
A.4 Past due exposures	**617,079**	**55,536**	**561,543**	**2,647,961**	**238,316**	**2,409,645**
- exposures to assignors (with recourse)	486,526	43,787	442,739	1,588,745	142,987	1,445,758
- disposal of future receivables	-	-	-	-	-	-
- other	486,526	43,787	442,739	1,588,745	142,987	1,445,758
- exposures to assigned debtors (without recourse)	130,553	11,749	118,804	1,059,216	95,329	963,887
- acquisitions at less than face value	-	-	-	-	-	-
- other	130,553	11,749	118,804	1,059,216	95,329	963,887
Total	**1,720,622,698**	**68,033,381**	**1,652,589,317**	**1,735,978,009**	**77,353,904**	**1,658,624,105**

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

Loans and receivables are subdivided into performing and non-performing loans and receivables and are classified according to the type of counterparty: transferor and assigned debtor.

Recognition of a loan or receivable in the category “due from assigned debtors” assumes that the sale of the loans and receivables resulted in the actual transfer of all risks and benefits to the factor. If this does not occur, the only loans and receivables that the factor may recognize under assets are loans and 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 loans and receivables which do not fall within the purview of Law 52/91.

Captions/Amounts	12/31/2014			12/31/2013		
	Gross value	Impairment losses	Net Value	Gross Value	Impairment losses	Gross Value
1. Performing assets	32,316,337	280,939	32,035,398	109,934,841	1,067,783	108,867,058
2. Non-performing	1,469,963	1,386,514	83,449	1,553,958	1,243,925	310,033
2.1 Doubtful	1,178,699	1,121,439	57,260	1,178,699	1,065,603	113,096
2.2 Substandard	291,264	265,075	26,189	375,259	178,322	196,937
2.3 Past due	-	-	-	-	-	-
Total	**33,786,300**	**1,667,453**	**32,118,847**	**111,488,799**	**2,311,708**	**109,177,091**

B.2 – Breakdown by residual maturity

If not impaired with respect to the invoice due date, overdue loans and 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 transactions with recourse: advances and “total outstanding loans and receivables”

Time frames	12/31/2014		12/31/2013	
	Advances	Total outstanding loans and receivables	Advances	Total outstanding loans and receivables
- repayable on demand	125,057,438	364,172,117	224,530,507	531,791,450
- within 3 months	1,233,958,017	1,622,727,926	1,160,213,035	1,614,646,559
- between 3 and 6 months	138,049,872	252,740,099	108,341,889	201,146,446
- between 6 months and 1 year	26,933,578	24,248,509	33,948,416	26,174,238
- beyond 1 year	47,718,472	10,203,296	29,576,060	14,465,685
- unspecified maturity	-	-	-	-
Total	**1,571,717,377**	**2,274,091,947**	**1,556,609,907**	**2,388,224,378**

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

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

At the same time, we note that total loans and receivables for sales of loans and receivables performed outside the scope of Law 52/91 came to EUR 103,541,252 at December 31, 2014.

B.2.2 – Factoring transactions without recourse - exposures

Time frames	Exposures	
	12/31/2014	12/31/2013
- Repayable on demand	20,577,219	5,866,232
- within 3 months	48,719,895	31,140,808
- between 3 and 6 months	2,311,577	29,480,347
- between 6 months and 1 year	16,734	24,737,508
- beyond 1 year	9,246,515	10,789,303
- unspecified maturity	-	-
Total	**80,871,940**	**102,014,198**

The table reports the carrying amount of exposures for loans and receivables acquired through factoring transactions without recourse and loans and receivables acquired not at face value, broken down by segment of residual life.

B.3 – Changes in impairment losses

B.3.1 - Factoring transactions

This table includes changes in impairment losses (individual and collective) for exposures to assignors and assigned debtors during the year, as well as the value of impairment losses at the start and at the end of the year (respectively, initial and final impairment losses). Impairment losses calculated on exposures classified as impaired, are by law always indicated as individual impairment losses.

Financial assets were derecognized pursuant to credit extinguishing events.

Caption	Initial impairment losses	Increases				Decreases					Final impairment losses
		Impairment losses	Losses on disposal	Transfer from other statuses	Other increases	Reversal of impairment losses	Profits on disposal	Transfer from other statuses	Derecognitions	Other decreases	
Individual impairment losses on non-performing assets	**65,290,966**	**12,097,485**	**-**	**7,332,091**	**-**	**3,901,342**	**-**	**15,620,215**	**9,886,554**	**-**	**55,312,431**
Exposures to assignors	**54,484,763**	**7,500,304**	**-**	**6,792,874**	**-**	**3,213,878**	**-**	**14,748,146**	**8,043,757**	**-**	**42,772,160**
- Doubtful positions	36,438,071	2,879,892	-	5,318,843	-	1,161,073	-	2,194,852	7,709,984	-	33,570,897
- Substandard positions	16,134,846	4,360,101	-	1,466,064	-	1,335,140	-	12,055,289	333,773	-	8,236,809
- Restructured exposures	1,768,859	217,164	-	1,043	-	711,381	-	355,018	-	-	920,667
- Past due exposures	142,987	43,147	-	6,924	-	6,284	-	142,987	-	-	43,787
Exposures to assigned debtors	**10,806,203**	**4,597,181**	**-**	**539,217**	**-**	**687,464**	**-**	**872,069**	**1,842,797**	**-**	**12,540,271**
- Doubtful positions	6,659,167	2,754,724	-	462,092	-	548,594	-	312,979	1,643,261	-	7,371,149
- Substandard positions	4,051,707	1,842,457	-	77,125	-	138,870	-	475,510	199,536	-	5,157,373
- Restructured exposures	-	-	-	-	-	-	-	-	-	-	-
- Past due exposures	95,329	-	-	-	-	-	-	83,580	-	-	11,749
Of Portfolio on other assets	**12,062,938**	**-**	**-**	**8,388,459**	**-**	**7,630,112**	**-**	**100,335**	**-**	**-**	**12,720,950**
- Exposures to assignors	11,367,378	-	-	8,055,607	-	7,267,315	-	100,335	-	-	12,055,335
- Exposures to assigned debtors	695,560	-	-	332,852	-	362,797	-	-	-	-	665,615
Total	**77,353,904**	**12,097,485**	**-**	**15,720,550**	**-**	**11,531,454**	**-**	**15,720,550**	**9,886,554**	**-**	**68,033,381**

B.4 – Other Information

B.4.1 – Turnover of factored receivables

	12/31/2014	12/31/2013
Transactions without recourse	**135,024,953**	**214,751,203**
- of which purchases at less than face value	1,000,000	-
Transactions with recourse	**9,189,557,031**	**9,258,564,581**
Total	**9,324,581,984**	**9,473,315,784**

The table shows the face value of loans and receivables acquired during the year (turnover) by company to the customers in factoring transactions, divided into recognized non-recourse transactions and recourse/non-recourse formal transactions.

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

	12/31/2014	12/31/2013
- transactions without recourse	-	-
- transactions with recourse	15,189,706	18,866,253
	15,189,706	**18,866,253**

B.4.2 – Collection services

The Company did not perform collection-only services in 2014 and 2013.

B.4.3 – Face value of contracts to acquire future loans and receivables

	12/31/2014	12/31/2013
- Flow of contracts to acquire future loans and receivables during the year	299,046,631	145,283,767
- Amount of contracts outstanding at year end	244,981,321	151,024,193

D. – Guarantees given and commitments

D.1 – Value of guarantees given and commitments

	12/31/2014	12/31/2013
1) Financial guarantees given	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
2) Other 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 lend funds	**221,061,725**	**253,927,927**
a) Banks	-	6,473
i) of certain use	-	-
ii) of uncertain use	-	6,473
b) Financial institutions	-	16,419
i) of certain use	-	-
ii) of uncertain use	-	16,419
c) Customers	221,061,725	253,905,035
i) of certain use	5,864,155	2,799,404
ii) of uncertain use	215,197,570	251,105,631
5) Underlying commitments on credit derivatives: sales of protection	-	-
6) Assets pledged as collateral of third party commitments	-	-
7) Other irrevocable commitments	**-**	**-**
a) to issue guarantees	-	-
b) other	-	-
Total	**221,061,725**	**253,927,927**

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

EUR 251.197.570 is for irrevocable commitments with unspecified use, as the commitments to lend funds is optional in nature; in this case it is not certain whether and to what extent the funds will effectively be disbursed.

D.2 – Loans recognised due to enforcement

There are no loans and receivables recognized due to enforcement.

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

3.1 – CREDIT RISK

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 (assignor and assigned 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 (assignor and assigned 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 Banca Popolare di Sondrio S.c.p.a., for which it values the total amount of exposures in existence.

2. Credit risk management policies

2.1 Organisational 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 Banca Popolare di Sondrio S.c.p.a., which are the reference model for the regulations of the Group companies and which establish common criteria and methods for credit management, while still allowing for special features that may be based on the particular types of financing and the nature of the counterparties.

The credit process is divided into the following phases:

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

Credit policy

Factorit's credit policy, like that of the Parent, 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 (assignors and assigned debtors) and the level of financial risk deriving from any failure to repay the credit granted on the agreed due dates.

The credit process system is set up into logical phases that can be broken down by the parties involved (assignors and assigned 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 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 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 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 provided at the company level, and in accordance with the general principles governed by the Supervisory 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 bodies responsible for monitoring and controlling risk, in a manner which is uniform for the entire portfolio.

Control of 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 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 the assigning 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 assignors and more significant amounts.

Additionally, the Parent 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 sale of trade receivables) make it possible to mitigate the factor's risks through various techniques designed to consolidate the transfer of risk to the assigned debtor and split it over a number of parties.

In terms of non-recourse contracts, many credit risk mitigation clauses can be 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 assignor's sale obligations;
- hedging by means of insuring the receivable.

2.4 Non-performing 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 assigned debtors, assignors, and any guarantors;
- in the case of previously classified positions, verification that the debtors have honored their commitments;
- regular verification of the correctness of the classification and analytical estimation of the losses anticipated on the various positions.

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

QUANTITATIVE INFORMATION

1. Breakdown of credit exposures by portfolio classification and credit quality

Portfolios/Quality	Doubtful assets	Substandard assets	Restructured exposures	Past due exposures	Performing past due exposures	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Financial assets through profit and loss at fair value	-	-	-	-	-	-	-
3. Available for sale financial assets	-	-	-	-	-	-	-
4. Financial assets held until maturity	-	-	-	-	-	-	-
5.Loans and receivables with banks	-	-	-	-	-	12,617,582	12,617,582
6.Loans and receivables with financial institutions	-	26,596	-	-	16,760,678	111,055,820	127,843,094
7. Loans and receivables with customers	2,643,136	19,159,348	4,644,698	610,839	180,068,260	1,357,756,478	1,564,882,759
8. Hedging derivatives	-	-	-	-	-	-	-
12/31/2014	2,643,136	19,185,944	4,644,698	610,839	196,828,938	1,481,429,880	1,705,343,435
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

2. Credit exposures

2.1 Credit exposures to customers: gross and net amounts

Type of exposure/amounts	Gross Exposure	Individual impairment losses	Portfolio Impairment losses	Net Exposure
A. Non-perforing assets				
On-balance sheet exposures:	**92,001,058**	**64,943,037**	**-**	**27,058,021**
a) Doubtful assets	45,218,185	42,575,049	-	2,643,136
b) Substandard assets	33,037,527	13,878,179	-	19,159,348
c) Restructured exposures	13,074,077	8,429,379	-	4,644,698
d) Past due exposures	671,269	60,430	-	610,839
Off-balance sheet exposures	**6,268,149**	**403,994**	**-**	**5,864,155**
a) Doubtful assets	76,986	76,986	-	-
b) Substandard assets	4,229,028	327,008	-	3,902,020
c) Restructured exposures	-	-	-	-
d) Past due exposures	1,962,135	-	-	1,962,135
Total A	**98,269,207**	**65,347,031**	**-**	**32,922,176**
B. Performing exposures				
- Past due exposures not impaired	181,365,863	-	1,297,603	180,068,260
- Other exposures	1,583,568,251	-	10,614,203	1,572,954,048
Total B	**1,764,934,114**	**-**	**11,911,806**	**1,753,022,308**
Total A+B	**1,863,203,321**	**65,347,031**	**11,911,806**	**1,785,944,484**

"Other exposures" are comprised of:

Type of exposure/amounts	Gross exposure	Individual impairment losses	Portfolio Impairment losses	Net Exposure
- On-balance sheet exposures	1,368,370,681	-	10,614,203	1,357,756,478
- Off-balance sheet exposures	215,197,570	-	-	215,197,570
Total	**1,583,568,251**	**-**	**10,614,203**	**1,572,954,048**

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

Type of exposure/amounts	Gross Exposure	Individual impairment losses	Portfolio Impairment losses	Net Exposure
- within 3 months	174,744,737	-	1,221,620	173,523,117
- between 3 and 6 months	2,623,212	-	18,665	2,604,547
- between 6 months and 1 year	1,944,810	-	50,337	1,894,473
- beyond 1 year	2,053,104	-	6,981	2,046,123
Total	**181,365,863**	**-**	**1,297,603**	**180,068,260**

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

Type of exposure/amounts	Gross Exposure	Individual impairment losses	Portfolio Impairment losses	Net Exposure
A. Impaired assets				
A. Non-perforing assets	295,812	269,216	-	26,596
On-balance sheet exposures:	-	-	-	-
a) Doubtful assets	295,812	269,216	-	26,596
b) Substandard assets	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
Off-balance sheet exposures	-	-	-	-
a) Doubtful assets	-	-	-	-
b) Substandard assets	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	295,812	269,216	-	26,596
Total A				
B. Performing exposures	16,913,608	-	152,929	16,760,679
- Past due exposures not impaired	124,684,363	-	1,010,962	123,673,401
- Other exposures	141,597,971	-	1,163,891	140,434,080
Total B	141,893,783	269,216	1,163,891	140,460,676
Total A+B				

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

Type of exposure/amounts	Gross Exposure	Individual impairment losses	Portfolio Impairment losses	Net Exposure
- within 3 months	16,913,608	-	152,929	16,760,679
- between 3 and 6 months	-	-	-	-
- between 6 months and 1 year	-	-	-	-
- beyond 1 year	-	-	-	-
Total	16,913,608	-	152,929	16,760,679

2.3 Classification of the exposures on the basis of external and internal ratings

2.3.1 Breakdown on and off balance sheet exposures by external rating classes

	Type of exposures	External rating classes						No rating	Total
		Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A.	On-balance sheet exposures	-	9,277,362	-	-	-	-	1,696,066,073	1,705,343,435
B.	Derivatives	-	-	-	-	-	-	-	-
	B.1 Financial derivatives	-	-	-	-	-	-	-	-
	B.2 Credit derivatives	-	-	-	-	-	-	-	-
C.	Guarantees given	-	-	-	-	-	-	-	-
D.	Commitments to lend funds	-	54,207,880	-	-	-	-	166,853,845-	221,061,725
E.	Other	-	-	-	-	-	-	-	-
	Total	-	63,485,242	-	-	-	-	1,862,919,918	1,926,405,160

The Company, as regards exposures belonging to the central governments and central banks portfolio, uses the external rating of ECAI DBRS Ratings Limited.

Type of exposure/amounts	Rating class	Rating	Rating Italy at 12/31/2014
DBRS	2	From AH to AL	AL

3. Credit concentration

3.1 Breakdown of on-balance sheet and off-balance sheet credit exposures 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		
	Net exposure	Individual impairment losses	Portfolio Impairment losses	Net exposure	Individual impairment losses	Portfolio Impairment losses	Net exposure	Individual impairment losses	Portfolio Impairment losses	Net exposure	Individual impairment losses	Portfolio Impairment losses	Net exposure	Individual impairment losses	Portfolio Impairment losses
A. On-balance sheet exposures															
A.1 Doubtful assets	-	-	X	-	275,631	X	-	-	X	2,643,136	42,298,189	X	-	1,229	X
A.2 Substandard assets	9,046,017	3,653,983	X	27,791	183,840	X	-	-	X	8,825,092	9,045,992	X	1,260,448	994,364	X
A.3 Restructured exposures	-	-	X	-	-	X	-	-	X	4,644,698	8,429,379	X	-	-	X
A.4 Past due exposures	-	-	X	135,166	13,367	X	-	-	X	475,673	47,063	X	-	-	X
A.5 Other exposures	231,345	X	2,012	212,038	X	2,403	19	X	-	1,532,514,233	X	11,867,537	4,867,103	X	39,854
Total A	**9,277,362**	**3,653,983**	**2,012**	**374,995**	**472,838**	**2,403**	**19**	**-**	**-**	**1,549,102,832**	**59,820,623**	**11,867,537**	**6,127,551**	**995,593**	**39,854**
B. Off-balance sheet exposures															
B.1 Doubtful assets	-	-	X	-	-	X	-	-	X	-	76,986	X	-	-	X
B.2 Substandard assets	-	-	X	-	-	X	-	-	X	3,902,020	327,007	X	-	-	X
B.3 Other non-performing assets	-	-	X	-	-	X	-	-	X	1,962,135	-	X	-	-	X
B.4 Other exposures	54,207,880	-	X	1,679,941	-	X	-	-	X	159,255,139	-	X	54,610	-	X
Total B	**54,207,880**	**-**	**-**	**1,679,941**	**-**	**-**	**-**	**-**	**-**	**165,119,294**	**403,993**	**-**	**54,610**	**-**	**-**
Total 12/31/2014	**63,485,242**	**3,653,983**	**2,012**	**2,054,936**	**472,838**	**2,403**	**19**	**-**	**-**	**1,714,222,126**	**60,224,616**	**11,867,537**	**6,182,161**	**995,593**	**39,854**
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**

3.2 Breakdown of on-balance sheet and off-balance sheet credit exposures by counterparty's geographical area

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

Exposures/Geographical areas	ITALY		OTHER EU COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net Exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet exposures										
A.1 Doubtful assets	2,643,136	42,025,981	-	549,068	-	-	-	-	-	-
A.2 Substandard assets	19,159,348	13,848,779	-	29,400	-	-	-	-	-	-
A.3 Restructured exposures	4,644,698	8,429,379	-	-	-	-	-	-	-	-
A.4 Past due exposures	610,839	60,430	-	-	-	-	-	-	-	-
A.5 Other exposures	1,296,981,437	11,585,709	200,857,094	241,656	875,801	3,306	39,110,406	81,135	-	-
Total A	**1,324,039,458**	**75,950,278**	**200,857,094**	**820,124**	**875,801**	**3,306**	**39,110,406**	**81,135**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Doubtful assets	-	76,986	-	-	-	-	-	-	-	-
B.2 Substandard assets	3,902,020	327,008	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1,962,135	-	-	-	-	-	-	-	-	-
B.4 Other exposures	200,222,924	-	14,609,761	-	49,422	-	307,488	-	7,975	-
Total B	**206,087,079**	**403,994**	**14,609,761**	**-**	**49,422**	**-**	**307,488**	**-**	**7,975**	**-**
Total 12/31/2014	**1,530,126,537**	**76,354,272**	**215,466,855**	**820,124**	**925,223**	**3,306**	**39,417,894**	**81,135**	**7,975**	**-**
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**	**-**

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

- United States of America for EUR 5,610 (adjustments EUR 21) and Mexico for EUR 870,191 (adjustments EUR 3,285) for on-balance sheet exposures;
- United States of America for EUR 13,899, Canada for EUR 10,649, Puerto Rico for EUR 20,806 and Brazil for EUR 4,068 for off-balance sheet exposures.

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

12/31/2014	North-west Italy		North-east Italy		Central Italy		Southern Italy		Italy Islands	
Status of loans and receivable	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
Doubtful assets	1,093,188	14,932,777	571,243	4,023,411	289,663	8,471,256	672,860	13,559,219	16,182	1,039,318
Substandard assets	8,233,023	5,657,555	636,577	1,268,719	9,798,019	5,624,648	156,997	854,597	334,732	443,260
Restructured exposures	4,296,144	920,664	-	-	348,554	7,508,715	-	-	-	-
Past due exposures	163,607	16,180	646	64	309,137	30,593	135,185	13,369	2,264	224
Other exposures	732,251,335	6,307,421	242,880,983	2,287,225	149,030,532	1,411,898	50,078,151	471,092	122,740,436	1,108,073
Total	**746,037,297**	**27,834,597**	**244,089,449**	**7,579,419**	**159,775,905**	**23,047,110**	**51,043,193**	**14,898,277**	**123,093,614**	**2,590,875**

3.3 Large risks

	12/31/2014	12/31/2013
a) Amount (non-weighted value)	716,578,117	882,691,231
b) Amount (weighted value)	440,370,763	663,300,186
c) Number	10	18

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.

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

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

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

5. Other quantitative information

The total amount of the significant risks falls well within the limit of eight times Guarantee Capital.

As it belongs to a Banking Group which is subject to consolidated supervision, Factorit SpA must observe an individual limit of 40% of the Guarantee Capital for each “significant risk.”

At December 31, 2014, no counterparties exceeded this limit, as the Parent issued bank guarantees to cover the gap in individual limit for the three major “significant risk” positions for leading groups.

3.2 - MARKET RISKS

As Factorit S.p.A. 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 General aspects

The process of managing the company’s market risks related to the banking portfolio is regulated by the Parent’s regulations .

The processes of managing and controlling interest rate risk are handled by the Parent , 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.

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

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

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

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

With regard to interest-bearing assets and liabilities with interest payable, the result of a change in interest rates of +100 basis points within a period of twelve months on the future interest margin comes to EUR 2.3 million.

The future interest margin is the difference between future interest receivable on interest-bearing assets and future interest payable on liabilities with interest payable, calculated solely on transactions existing on the date of reference.

The effect of a change in interest rates of -100 basis points over a twelve month period on the future interest margin leads to a value of about EUR -0.5 million.

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

Simulating the effects of a sudden interest rate shock of 200 bps 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).

QUANTITATIVE INFORMATION

1. Breakdown by remaining term (repricing date) of financial assets and liabilities – Denomination currency: EURO

	Repayable on demand	Within 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 years and 10 years	Beyond 10 years	Unspecified maturity
1. Assets	**382,498,847**	**1,257,743,208**	**6,328,710**	**1,105,393**	**13,219,557**	**621,793**	**-**	**7,500,538**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and receivables	382,498,847	1,257,716,533	6,328,710	1,105,393	13,219,557	621,793	-	-
1.3 Other assets	-	26,675	-	-	-	-	-	7,500,538
2. Liabilities	**87,502,232**	**1,373,381,574**	**3,482,121**	**-**	**-**	**-**	**-**	**18,190,581**
2.1 Payables	87,502,232	1,371,121,050	3,482,121	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	2,260,524	-	-	-	-	-	18,190,581
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

2. Breakdown by remaining term(repricing date) of financial assets and liabilities – denomination currency: USD

	Repayable on demand	Within 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 years and 10 years	Beyond 10 years	Unspecified maturity
1. Assets	**205,346**	**30,105,612**	**13,479,735**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and receivables	205,346	30,105,612	13,479,735	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**30,314,997**	**13,602,148**	**-**	**-**	**-**	**-**	**23,265**
2.1 Payables	-	30,314,997	13,602,148	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	23,265
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

3. Breakdown by remaining term (repricing date) of financial assets and liabilities – Denomination currency: OTHER

	Repayable on demand	Within 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 years and 10 years	Beyond 10 years	Unspecified maturity
1. Assets	**61,909**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and receivables	61,909	-	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,054**
2.1 Payables	-	-	-	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	35,054
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

3.2.2 Price risk

QUALITATIVE INFORMATION

1. General aspects

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

3.2.3 Currency risk

QUALITATIVE INFORMATION

1. General aspects

Factorit's currency 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. Breakdown of assets, liabilities, and derivatives by currency of denomination

Captions	Currencies					
	Dollars USA	Pounds sterling	Yen	Swedish kronor	Swiss franc	Other currencies
1. Financial assets	**43,790,693**	**41,540**	**18**	**12**	**18**	**20,321**
1.1 Debt securities	-	-	-	-	-	-
1.2 Equities	-	-	-	-	-	-
1.3 Loans and receivables	43,790,693	41,540	18	12	18	20,321
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-
3. Financial liabilities	**43,917,145**	-	-	-	-	-
3.1 Payables	43,917,145	-	-	-	-	-
3.2 Debt securities	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**23,265**	**16,055**	-	-	-	**18,999**
5. Derivatives	-	-	-	-	-	-
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**43,790,693**	**41,540**	**18**	**12**	**18**	**20,321**
Total liabilities	**43,940,410**	**16,055**	-	-	-	**18,999**
Balance (+/-)	**-149,717**	**25,485**	**18**	**12**	**18**	**1,322**

3.3 OPERATIONAL RISKS

QUALITATIVE INFORMATION

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

The Parent supervises the process of managing operational risks by verifying compliance with the pertinent regulations and application of strategic lines.

Factorit participates in the more general process of measuring operational risks for the Parent, whose methods it has adopted, and also contributes to collecting data on the Group's operational losses. For an estimate of the equity requirement to deal with exposure to Operating Risks, the Base method (BIA – Basic Indicator Approach) was used.

Risk is thus reported in two ways:

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

The system of collecting and registering 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 operational events and losses in factoring activities.

The system of collecting data on operating risks is supported by a web platform that acts as the operational 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 operational risks.

3.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

1. General aspects, management processes and methods of measuring liquidity risk

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

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

Nevertheless, the data in the following table could be misleading. The time mismatch between levels of assets and liabilities is justified by the fact that the Company's funds are almost completely concentrated with the Parent Banca Popolare di Sondrio S.c.p.a. 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 S.c.p.a., whose specific guidelines are thus welcome, with funds concentrated in retail clients, who are thus quite diversified, and in the interbank system, where there is a very high level of trust in the institution.

QUANTITATIVE INFORMATION

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-offs.

1. Breakdown by contractual residual maturity of financial assets and liabilities – Denomianted in euros

Captions/time bands	Repayable on demand	Between 1 day and 7 days	Between 7 days and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	Beyond 5 years	Unspecified maturity
On-balance sheet assets	**184,863,608**	**74,219,673**	**149,733,590**	**440,730,288**	**606,082,934**	**128,123,635**	**27,682,930**	**15,524,836**	**14,325,329**	**35,724,103**	**9,250,538**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	184,863,608	74,192,998	149,733,590	440,730,288	606,082,934	128,123,635	27,682,930	15,524,836	14,325,329	35,724,103	-
A.4 Other Assets	-	26,675	-	-	-	-	-	-	-	-	9,250,538
On-balance sheet liabilities	**87,502,232**	**17,756,052**	**1,101,290,477**	**55,295,922**	**199,039,123**	**3,482,121**	**18,190,581**	**-**	**-**	**-**	**-**
B.1 Due to	87,502,232	17,756,052	1,101,290,477	53,035,398	199,039,123	3,482,121	-	-	-	-	-
- Banks	82,563,938	17,756,052	1,101,290,477	53,035,398	199,039,123	3,482,121	-	-	-	-	-
- Financial institutions	401,022	-	-	-	-	-	-	-	-	-	-
- Customers	4,537,272	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	2,260,524	-	-	18,190,581	-	-	-	-
Off-balance sheet transactions	**69,056,031**	**3,457,534**	**14,103,673**	**29,453,310**	**56,455,925**	**39,544,441**	**6,828,774**	**181,944**	**325,000**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	69,056,031	3,457,534	14,103,673	29,453,310	56,455,925	39,544,441	6,828,774	181,944	325,000	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	69,056,031	3,457,534	14,103,673	29,453,310	56,455,925	39,544,441	6,828,774	181,944	325,000	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

With regard to on-balance sheet liabilities, deposits with Banks, EUR 1,139,410,879 represents payables to the Parent; while EUR 169,106,447 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

Captions/time bands	Repayable on demand	Between 1 day and 7 days	Between 7 days and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	Beyond 5 years	Unspecified maturity
On-balance sheet assets	**206,146**	**3,906,206**		**2,899,145**	**23,530,472**	**13,601,485**	**-**	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	206,146	3,906,206		2,899,145	23,530,472	13,601,485	-	-	-	-	-
A.4 Other Assets	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**-**	**3,893,051**	**-**	**2,745,878**	**23,676,069**	**13,602,148**	**23,265**	-	-	-	-
B.1 Due to	-	3,893,051	-	2,745,878	23,676,069	13,602,148	-	-	-	-	-
- Banks	-	3,893,051	-	2,745,878	23,676,069	13,602,148	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	23,265	-	-	-	-
Off-balance sheet transactions	**81,988**	**123,308**	**-**	**53,373**	**221,677**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	81,988	123,308	-	53,373	221,677	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	81,988	123,308	-	53,373	221,677	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

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

Captions/time bands	Repayable on demand	Between 1 day and 7 days	Between 7 days and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	Beyond 5 years	Unspecified maturity
On-balance sheet assets	**61,909**	-	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Loans	61,909	-	-	-	-	-	-	-	-	-	-
A.4 Other Assets	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	**35,054**	-	-	-	-
B.1 Due to	-	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	35,054	-	-	-	-
Off-balance sheet transactions	**1,013,791**	**25,649**	**7,395**	**52,015**	**52,720**	**23,177**	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Loans to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds	1,013,791	25,649	7,395	52,015	52,720	23,177	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	1,013,791	25,649	7,395	52,015	52,720	23,177	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Section 4 *Information on capital*

4.1 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 7 years made it possible to bring EUR 73.9 million to the reserve.

(millions of euros)				
2007-2010	2011	2012	2013	Total
49.7	5.2	8.0	11.0	73.9

4.1.2 Quantitative information

4.1.2.1 Equity: breakdown

Captions/Amounts	2014	2013
1. Share Capital	**85,000,002**	**85,000,002**
2. Issue premiums	**11,030,364**	**11,030,364**
3. Reserves	**87,355,759**	**75,654,185**
- income related	-	-
a) legal	8,559,639	7,592,059
b) statutory	-	-
c) treasury shares	-	-
d) other	73,842,410	63,108,416
- other	4,953,710	4,953,710
4. (Treasury shares)	**-**	**-**
5. Valuation reserves:	**-176,743**	**-53,420**
- Available for sale financial assets	-	-
- Property and equipment	-	-
- 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	-176,743	-53,420
- Amount of valuation reserves related to shareholdings valued using the equity method	-	-
6. Equity instruments	**-**	**-**
7. Profit (loss) for the year	**25,515,117**	**19,351,574**
Total	**208,724,499**	**190,982,705**

4.2. Equity and regulatory ratios

4.2.1 Regulatory Capital

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 to meet risks and rules on risk concentration.

The Guarantee Capital of Factorit S.p.A. at 31/12/2014 consists exclusively of Tier 1 capital, which is admitted with no limitation for purposes of calculation

4.2.1.2 Quantitative information

Captions/Values	2014	2013
A. Tier 1 capital before the application of prudential filters	198,524,501	183,332,705
B. Tier 1 capital prudential filters	-	-
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-	-
C. Tier 1 capital before items to be deducted (A+B)	-	-
D. Items to be deducted from Tier 1 capital	-149,618	-1,248,218
E. Total Tier 1 capital (C-D)	198,374,883	182,084,487
F. Tier 2 capital before the application of prudential filters	-	-
G.Tier 2 capital prudential filters	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	-
H. Tier 2 capital before items to be deducted (F+G)	-	-
I. Items to be deducted from Tier 2 capital	-	-
L. Total Tier 2 capital (H-I)	-	-
M. Items to be deducted from total Tier 1 and Tier 2 capital	-	-
N. Guarantee Capital (E + L - M)	198,374,883	182,084,487
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N + O)	**198,374,883**	**182,084,487**

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

4.2.2 Capital adequacy

Qualitative information

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

Credit risk and operational risk are the risks that make up the weighted assets at as for the year ended December 31, 2014.

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/Values	Unweighted amounts		Weighted amounts/requirements	
	2014	2013	2014	2013
A. RISK ASSETS				
A.1 Credit and counterparty risk	-	-	-	-
1 Standardised approach	3,867,930,183	3,814,930,118	1,466,832,835	1,632,170,812
2 Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3 Securitisation	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	-	-	88,009,978	97,930,256
B.2 Market risks	-	-	-	-
1 Standardised approach	-	-	-	-
2 Internal models	-	-	-	-
3 Concentration risk	-	-	-	-
B.3 Operational risk	-	-	-	-
1 Basic indicator approach	-	-	10,348,697	9,892,863
2 Standardised approach	-	-	-	-
3 Advanced measurement approach	-	-	-	-
B.4 Other prudential requirements	-	-	-	298,181
B.5 Other calculation elements	-	-	-24,589,669	-27,030,325
B.6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 + B.5)	-	-	73,769,006	81,090,975
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets	-	-	1,229,729,330	1,351,516,250
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			16.13%	13.47%
C.3 Regulatory capital including Tier 3/Risk-weighted assets (Total capital ratio)			16.13%	13.47%

The weighted amount for counterparty and credit risk benefited from bank guarantees issued by the Parent for leading industrial groups, in the amount of EUR 195 million.

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

Section 5 *Analytical statement of comprehensive income*

Captions		Gross amount	Income tax	Gross amount
10.	Profit for the year	38,024,003	(12,508,886)	25,515,117
	Other gains without reclassification under the income statement	-	-	-
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Actuarial (losses) on defined-benefit plans	(170,099)	46,776	(123,323)
50.	Non-current assets held for sale	-	-	-
60.	Portion of valuation reserves of equity investees	-	-	-
	Other with reclassification under the income statement	-	-	-
70.	Hedges of investments in foreigns:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange rate gains (losses):	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	Cash flow hedges:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
100.	Available for sale financial assets:	-	-	-
	a) changes in value	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses on disposals	-	-	-
	c) other changes	-	-	-
110.	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
120.	Portion of valuation reserves of equity investees	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses on disposals	-	-	-
	c) other changes	-	-	-
130.	Other gains	(170,099)	46,776	(123,323)
140.	Comprehensive income (Caption 10+130)	37,853,904	(12,462,110)	25,391,794

Section 6 *Transactions with related parties*

6.1 Information on compensation of key managers

Executives: compensation EUR 415,817, of which EUR 303,810 payments for employment work, EUR 25,000 for bonuses and other incentives, EUR 34,607 for non-monetary benefits, and EUR 52,400 for emoluments for the position of Managing Director.

6.2 Loan and guarantees issued to Directors and statutory auditors

See caption 110.b of the income statement

6.3 Information on transactions with related parties

6.3.1. Transactions with Banca Popolare di Milano Group

Statement of financial position

Company	Financial receivables	Financial payables	Other loans and receivables	Other payables
Banca Popolare di Milano S.c.a.r.l.	5,798,363	167,772,163	-	1,303,273
Banca Popolare di Mantova S.p.a.	-	-	47,635	31,011
Total	**5,798,363**	**167,772,163**	**47,635**	**1,334,284**

Income statement

Company	Interest receivable	Interest payable	Interest payable on active pool	Factoring commissions	Other commissions payable	Other charges
Banca Popolare di Milano S.c.a.r.l.	18	831,167	2,471,025	668,328	12,066	24,000
Banca Popolare di Mantova S.p.a.	2	-	1,086	31.011	8	-
Total	**20**	**831,167**	**2,472,111**	**699,339**	**12,074**	**24,000**

6.3.2. Transactions with Parent and affiliates

Loans and receivable from credit institutions

Banca Popolare di Sondrio S.c.p.a.	Gross
Ordinary current accounts – euros	232,616
Ordinary current accounts – foreign currency	103,148
Total	**335,764**

Payable to credit institutions

Banca Popolare di Sondrio S.c.p.a.	Gross
Ordinary current accounts	44,319,755
Short-term overdraft facility	1,050,000,000
Advances foreign currency	43,881,929
Accrual advances foreign currency	35,216
Principals accounts	22,147
Commissions to be paid	1,148,114
Supplier invoices	3,718
Total	**1,139,410,879**

Costs – credit institutions

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest payable	9,745,548
Commissions payable – expenses	138,203
Commissions payable – factoring commissions	1,148,114
Commissions payable - guarantees	160,910
Charges for rent payable	118,478
Service contract	90,000
Directors' emoluments	12,400
Transferred personnel	80,762
Total	**11,494,415**

Revenues – credit institutions

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest receivable – ordinary current accounts	4,846
Transferred personnel	109,622
Total	**114,468**

Costs – customers

Sinergia Seconda S.r.l.	Amount
Charges for rent payable	1,186,002
Total	**1,186,002**

Pirovano Stelvio S.p.A.	Amount
Expenses for hotels and restaurants	1,183
Total	**1,183**

Section 7 *Other disclosures*

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

STATEMENT OF FINANCIAL POSITION

	Assets	12/31/2013	31/12/2012
10.	Cash and cash equivalents	109,512,487	114,158,995
20.	Financial assets held for trading	3,167,660,707	2,097,393,977
30.	Financial assets through profit and loss at fair value	79,226,036	104,224,290
40.	Available for sale financial assets	3,373,245,002	2,438,073,849
50.	Held to maturity investments	182,620,516	204,643,791
60.	Loans and receivables with banks	1,481,714,447	1,855,236,119
70.	Loans and receivables with customers	20,843,577,225	22,390,051,929
80.	Hedging derivatives	-	-
90.	Cumulative fair value value gains/losses of financial assets in hedge portfolios (+/-)	-	-
100.	Equity investment	411,739,750	398,636,818
110.	Property and equipment	155,622,700	138,174,667
120.	Intangible assets	11,676,361	11,143,274
	- of which goodwill		
130.	Tax assets	300,623,482	157,295,367
	a) current	28,625,878	-
	b) deferred	271,997,604	157,295,367
	b1) pursuant to Law 214/2011	243,011,732	126,943,333
140.	Non-current assets and groups of assets being divested	-	-
150.	Other assets	345,496,620	235,997,167
	Total assets	**30,462,715,333**	**30,145,030,243**

	Liabilities and equity	12/31/2013	31/12/2012
10.	Due to banks	3,692,634,209	3,828,808,395
20.	Due to customers	21,208,780,218	20,844,527,072
30.	Securities issued	2,850,637,840	2,817,454,497
40.	Financial liabilities held for trading	60,308,903	86,893,319
50.	Financial liabilities at fair value through profit and loss	-	-
60.	Hedging derivatives	-	-
70.	Cumulative fair value gains/losses of financial liabilities in hedge portfolios	-	-
80.	Tax liabilities	27,955,834	97,939,143
	a) current	-	77,249,544
	b) deferred	27,955,834	20,689,599
90.	Liabilities associated with assets being divested	-	-
100.	Other liabilities	668,480,929	578,961,643
110.	Post-employment benefits	38,264,866	39,990,490
120.	Provisions for risks and charges	141,885,236	139,131,838
	a) pension and similar provisions	100,538,997	95,729,159
	b) other provisions	41,346,239	43,402,679
130.	Valuation reserves	15,357,661	-8,394,344
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	638,000,834	622,318,690
170.	Share premium	171,449,522	171,449,522
180.	Share Capital	924,443,955	924,443,955
190.	Treasury shares (-)	-24,316,346	-24,316,346
200.	Profit (loss) for the year	48,831,672	25,822,369
	Total liabilities and equity	**30,462,715,333**	**30,145,030,243**

INCOME STATEMENT

	Items	12/31/2013	31/12/2012
10.	Interest and similar income	914,711,027	912,510,400
20.	Interest and similar expense	-426,561,240	-451,055,350
30.	**Net interest income**	**488,149,787**	**461,455,050**
40.	Fee and commission income	240,711,245	239,599,970
50.	Fee and commission expense	-14,890,754	-17,120,969
60.	**Net fee and commission income**	**225,820,491**	**222,479,001**
70.	Dividends and similar income	20,252,957	5,549,285
80.	Net trading income (expense)	102,437,364	152,487,807
90.	Net hedging expense	-	-
100.	Net gains on sales or repurchases of:	52,719,360	9,573,204
	b) Available for sale financial assets	52,518,082	7,740,497
	c) Held to maturity financial assets	54,712	584,164
	d) financial liabilities	146,566	1,248,543
110.	Net gain (loss) on financial instruments at fair value through profit and loss	5,387,128	6,273,265
120.	**Total expense**	**894,767,087**	**857,817,612**
130.	Impairment losses on:	-472,765,909	-457,781,737
	a) loans and receivables	-446,093,551	-450,956,950
	b) Available for sale financial assets	-12,880,725	-5,224,787
	c) Held to maturity financial assets	-	-
	d) other financial assets	-13,791,633	-1,600,000
140.	**Net financial income**	**422,001,178**	**400,035,875**
150.	Administrative expenses	-365,619,305	-348,521,355
	a) personnel expenses	-170,317,050	-167,468,134
	b) other administrative expenses	-195,302,255	-181,053,221
160.	Net accruals to provisions for risks and charges	2,556,469	-1,576,934
170.	Depreciation and net impairment losses on property and equipment	-12,562,065	-12,246,083
180.	Amortisation and net impairment losses on intangible assets	-10,908,158	-11,184,510
190.	Other operating income	69,174,944	57,716,875
200.	**Operating expenses**	**-317,358,115**	**-315,812,007**
210.	Gains (losses) on equity investments	-6,569,735	-2,092,615
220.	Fair value gains (losses) on property and equipment and intangible assets	-	-
230.	Impairment losses on goodwill	-	-
240.	Net gains on the sale of investments	5,134	280,170
250.	**Pre-tax profit from continuing operations**	**98,078,462**	**82,411,423**
260.	Income taxes	-49,246,790	-56,589,054
270.	**Post-tax profit**	**48,831,672**	**25,822,369**
280.	Net income (Loss) for groups of assets being divested after taxes	-	-
270.	**Profit (loss) for the year**	**48,831,672**	**25,822,369**

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 indipendent auditors, for auditing services rendered.

Type of service	Cpunterparty who provided the service	Remuneration 2014
Quarterly audits	Deloitte & Touche S.p.A.	2,058
Other services consisting of:	Deloitte & Touche S.p.A.	
Approval of tax returns (770-Single Tax Return)		7,500

(units of euros)

The above figures do not include VAT and out-of-pocket expenses.

Type of service	Counterparty who provided the service	Remuneration 2014
Audit	KPMG S.p.A.	58,000
Half-yearly checks	KPMG S.p.A.	12,000

(units of euros)

The above figures do not include VAT and out-of-pocket expenses.

REPORT FROM THE BOARD OF STATUTORY 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 2014 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, we inform you that, with regard to the business management, Directors and Managers complied with proper management principles and economic functionality.
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 2014, we note that the Board of Statutory Auditors participated in the shareholders' meeting of April 11, 2014 to approve the financial statements for 2013 and in all six 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 Statutory Auditors met twelve times during 2014.

With regard to monitoring the adequacy of the organizational structure we focused our monitoring action on whether the organizational structure met the company's needs, and the needs arising from belonging to the Parent banking group. No information has emerged in this regard that needs to be noted in this Report.

The controls on the adequacy of internal control systems, was carried out mainly by maintaining a constant contact with the structures in charge at Factorit and in the Parent, as well as with Unione Fiduciaria, which is entrusted with the Compliance Function. Greatly significant were the relations with the Compliance Function R.A., the head of Anti-Money Laudering and Risk Management Function, the Supervisory Body, the person in charge of suspicious transaction reporting, the internal audit Service and the independent auditors.
We also specify that, following the entry into force of Banca d'Italia Circular no. 263/06, we also supervised all the activities made by the Company to adapt to the new provisions on risk control. All the necessary activities have been set up to adapt the structure of internal controls at the disposal of Banca d'Italia and the guidelines of the Parent.

With regard to keeping regular accounts and proper representation of operating events in the financial statements, the control function was performed by the indipendet auditors KPMG S.p.A. 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 KPMG S.p.A. 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 2014 and the related proposal for the appropriation of net earnings.

Milan, March 24, 2015

THE BOARD OF STATUTORY AUDITORS

Luca Zoani

Pio Bersani

Mario Vitali

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 and article 165 of Legislative decree no. 58 of 24 February 1998

To the shareholders of
Factorit S.p.A.

1 We have audited the financial statements of Factorit S.p.A. as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. 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 and are, as a whole, reliable. 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 directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report of another auditor dated 26 March 2014 for its opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the financial statements of Factorit S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Factorit S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

Factorit S.p.A.
Report of the auditors
31 December 2014

4 The directors of Factorit S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of Factorit S.p.A. as at and for the year ended 31 December 2014.

Milan, 24 March 2015

KPMG S.p.A.

(signed on the original)

Paolo Valsecchi
Director of Audit

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