Factorit

GRUPPO Banca Popolare di Sondrio

Factorit

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

GROUP Banca Popolare di Sondrio

Directors' report and financial statements as at and for the year ended 31 December 2015

GRUPPO Banca Popolare di Sondrio

DIRECTORS' REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

Factorit S.p.A.

Registered office, general management and head office
Via Cino del Duca 12 - 20122 Milan
Telephone (02) 58150.1 - Fax (02) 58150.205
Web: www.factorit.it - E-mail: info@factorit.it

Member of Banca Popolare di Sondrio Group
Included in the Banking Group Register as no. 5696.0

Tax code, VAT no. and Milan company registration no.: 04797080969
Included in the lists kept as per Legislative decree no. 385/93
as no. 36643 of the General List as per article 106 (Financial Intelligence Unit)
and no. 33042 of the Special List as per article 107 (Bank of Italy)

Share capital €85,000,002.00

Member of Assifact - Association of Italian Factoring Companies

Member of FCI - Factors Chain International

COMPANY BODIES

Board of directors

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
Standing statutory auditors	Pio Bersani
	Mario Vitali
Alternate statutory auditors	Alberto Balestreri
	Gianerminio Cantalupi

Independent 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%

BRANCHES

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

Turin
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Tel. 011 0587284 - Fax 011 0587285

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DIRECTORS' REPORT

Dear shareholders,

before analysing the figures for 2015, we wish to remember with deepest sympathy and respect Mr. Piero Melazzini, chairman of Factorit from 2012 until 30 November 2015, when he passed away in Sondrio. His personal and professional contribution, moral rigour and the clarity of thought of such a wise and enlightened banker and highly cultured individual will be greatly missed, as will his much-appreciated strong work ethic.

Mr. Mellazini was a respected and farsighted helmsman of Banca Popolare di Sondrio for over 64 years. He was also a fervent advocate of associations and of collaboration between cooperative banks and was one of the promoters of Factorit. Indeed, the bank was one of the founding shareholders of Factorit back in 1978, recognising its value.

2015 was the thirty-seventh year of operations of the company, which recorded a profit of €20,759,673.

The company reviewed and revised its organisational structure, regulations and operating manuals during the year. It continued to be committed to monitoring and containing credit risk. It also focused on the international market this year.

THE INTERNATIONAL SITUATION

What would happen if the global factory shuts down and the crisis becomes China?

This question dominated 2015 although it was sometimes sidelined as another emergency came along to then regain importance when the Chinese stock market lost ground or following the Yuan's unexpected devaluations. It towed with it the many problems faced by an economy engaged in the challenging transition from an export-based model to one based on services and the development of domestic demand, while dealing with internal contradictions and social and environmental issues of incalculable scale.

The economic risks were stoked by hard-to-gauge geopolitical factors, ready to escalate beyond all reasonable expectations. The many crises that blew up around the world had their epicentre in the Middle East, where the ongoing armed conflicts could easily multiple. The bloody terrorist attacks in Paris tragically reminded us that dangers are not confined to that area but are everywhere.

The United States has been a bulwark of stability and economic recovery in this uncertain and fragile scenario, where the steadily falling prices of oil and other commodities demonstrate the lack of a strong economic recovery at international level. It seems that the "American century" has not yet finished and may even extend into the new millennium.

US economic growth was around 2% in the third quarter on a year-on-year basis and fourth quarter growth was forecast to be in line with this figure. This allowed the Federal Reserve to increase the official rates by 25 bp in its meetings of 15 and 16 December, also due to the quite modest inflation rate (about 0.5%) and a very positive rise in employment. The market had already anticipated this historic decision, which ended the zero rate policy introduced in December 2008.

On the other hand and as far as the official figures can be relied on, the Chinese economy continued to cool. 2015 GDP is expected to be 6.9%. As already noted elsewhere, this is unattainable for western economies but basically represents stagnation for the Asian giant, weighted down by the many serious problems mentioned earlier.

The other former BRIC countries' performance varied significantly: Brazil has had to deal with a significant recession, Russia's deterioration has slowed despite the freefall of oil prices and India has seen an appreciable improvement in its economy.

The Japanese economy has steadily regained momentum after the recession seen from mid-2014 to the start of 2015. At 30 September 2015, GDP had grown roughly 1%, while the inflation rate was an estimated 0.5%.

Once again, the Fed's moves caught the ECB unaware. Its quantitative easing policy was rolled out considerably later than in the US and, by the time it was in full effect, the Federal Reserve had already changed tactics.

The Eurozone's economic recovery was limited and weak, due partly to the worsening international geopolitical situation. The export drive lost its impetus although it was offset by an upturn in domestic demand. Eurozone GDP increased by 0.3% in the third quarter compared to the second three months. The main players all performed quite similarly and business and household confidence has risen while employment data are positive. Inflation continued to be below expectations at around 0.2%.

The Swiss Confederation suffered some setbacks during the year, caused by both the deterioration of the international scenario and, specifically, the Swiss franc's significant revaluation against the Euro after the Swiss Central Bank decided to discontinue the minimum exchange rate. This was particularly significant given Switzerland's high degree of internationalisation.

However, the Swiss economy once again proved its resilience and responsiveness. The country's GDP grew slightly by around 0.8%. The unemployment rate remained stable at 2.2% while deflation hovered around 1%.

ITALY

In addition to the favourable international context (low energy prices, favourable Euro exchange rate and interest rates), Italy's exit from the three-year recession benefitted from a slower improvement in the public debt, from 3% to 2.6% as a percentage of GDP, compared to the original target of 1.8%.

Public spending, up 0.4% in the first nine months of the year, flanked private sector spending (0.8%) and investments (+0.3%) to encourage a (modest) rise in GDP (0.5%). Internal demand was pushed up by a return to restocking.

The falling commodity prices assisted the trade surplus with the non-EU countries (€28 billion in the first 11 months of the year compared to €22 billion in the same period of 2014) countering the drop in the balance with EU partners, which continued, however, to be positive (from €14 billion to €11 billion).

The phenomenon has helped perpetuate, in Italy as well, a latent risk of deflation. Average consumer prices increased by 0.1%, a small improvement compared to the -0.1% at the end of 2014.

The unemployment trend was more favourable as it went from 13% to a minimum of just below 10% in August, as often happens, to return to 12% in October and November. However, this was an improvement of more than 2% compared to the previous year.

The government's commitment to eliminating public debt, still planned for 2017 by the Economic and financial document of April, was postponed again to 2018 by the recent Stability Law, invoking the European clauses of flexible reforms and investments.

The expansionary policies of the 2016 budget should lead to a planned deficit of 2.2% against the forecast 1.4% (which is nonetheless an improvement on 2015).

Public debt, which rose again in 2015 from 132.3% of GDP to 133%, should decrease thanks to the re-proposed privatisations. Reducing public debt is of fundamental importance even though the spread has remained under control, ending the year at 97 bp compared to 135 bp at the end of 2014, due in part to the ECB's securities purchasing programme.

FACTORING, THE DOMESTIC MARKET

2015 saw a turnaround in the Italian factoring sector. After contraction in 2013 and recovery in 2014, the factoring sector confirmed its position as a major driver for the Italian economy this year, freeing liquidity and assisting companies to find working capital.

The sector held on to its place as one of the leaders in Europe and the world with a turnover equal to around 11% of Italy's GDP.

According to Assifact, the Association of Italian Factoring Companies, loans and receivables assigned to factoring companies in 2015 amounted to €184.8 billion, up 4.1% on 2014. The outstanding amounts to €57.5 billion (+3%) while advances and fees paid come to €45.8 billion (+4.5%), giving an advances/outstanding ratio of 79.7%.

The average term of loans and receivables was substantially in line with 2014 and their average turnover was 114 days compared to 115 for the previous year.

Table 1. Performance of the Italian factoring sector (source: Assifact)

	2012	2013	2014	2015
Turnover	175,314,853	171,578,970	177,542,805	184,796,669
Outstanding	57,519,001	54,775,632	55,809,053	57,493,137
Advances	46,112,471	42,950,579	43,880,257	45,838,518
Advances/Outstanding	*80.2%*	*78.4%*	*78.6%*	*79.7%*

(€'000)

Based on the year-end information provided by Assifact, 54.5% of the Italian factoring companies are financial intermediaries as per article 10 of the Consolidated Banking Act (generating 56.8% of the turnover), banks account for 24.2% of the operators (39.7% of turnover) while the other intermediaries pursuant to article 106 of the Consolidated Banking Act and intermediaries that do not work with the public represent 21.2% (3.5% of turnover).

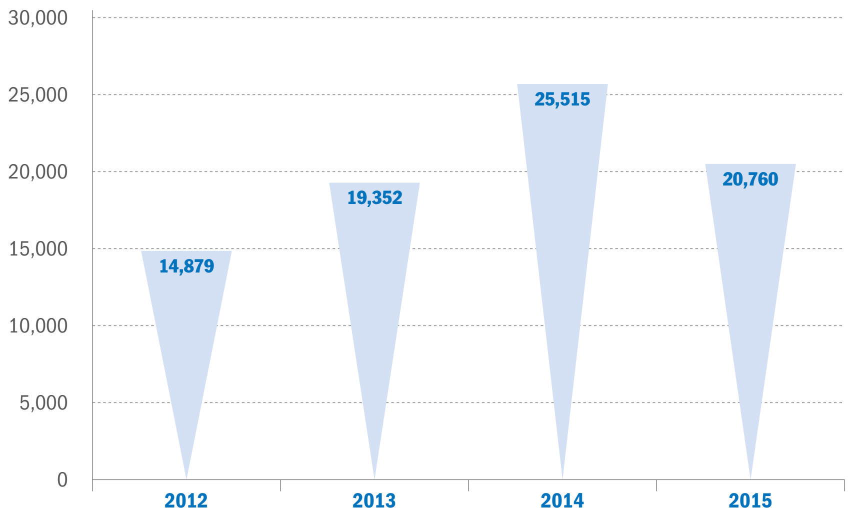
Loans and receivables assigned to the top five operators (which all belong to banking groups), one of which is Factorit, account for 70.4% of the market's total turnover.

COMPANY PERFORMANCE

Results

The company made a profit of €20.8 million for the year after recognising gross impairment losses on loans and receivables (€12.9 million) and other financial transactions (€0.2 million). Reversals of impairment losses came to €10 million and €0.3 million for loans and receivables and other financial transactions, respectively. Therefore, net impairment losses amounted to €2.8 million.

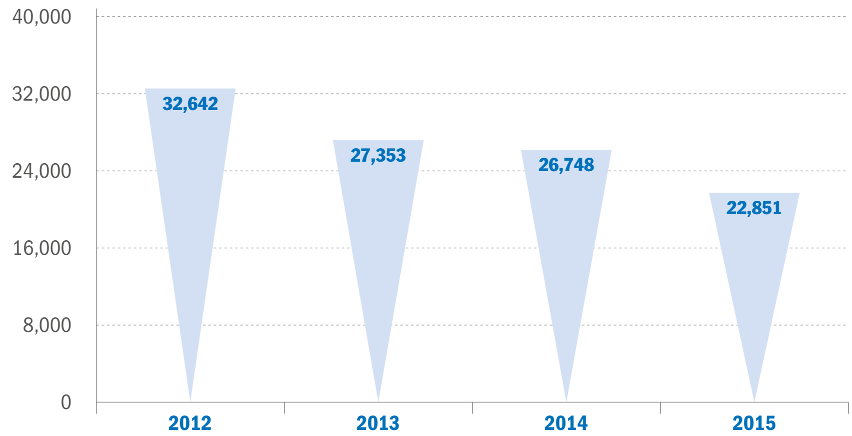
Graph 1. Profit for the year (€'000)



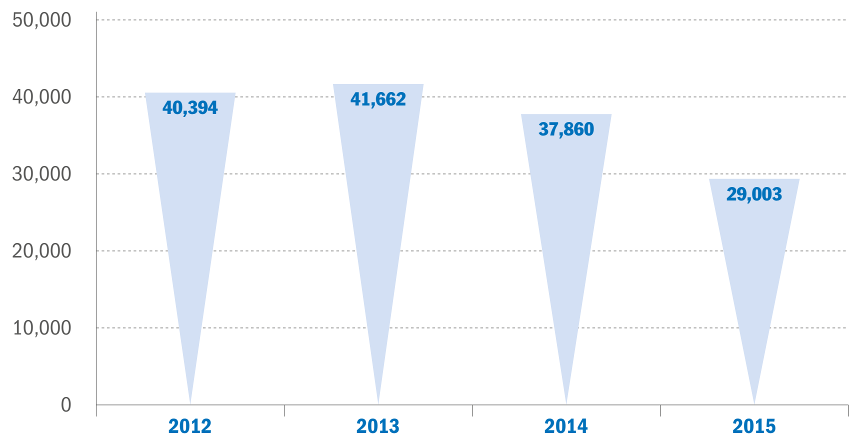
Total income amounted to €51.9 million, including financial income of €29.0 million and fee and commission income of €22.9 million.

Revenue from one-off fees and commissions on the assignment of loans and receivables are recognised over their term. Periodic and deferred fees and commissions are recognised when received on an accruals basis. At year end, such deferred fees and commissions amounted to €1.9 million.

Graph 2. Fee and commission income (€'000)



Graph 3. Net interest income (€'000)



The reduction in net impairment losses to €2.8 million (2014: €5.4 million), obtained partly due to the company's focus on credit quality, had a positive effect on the pre-tax profit of €30.1 million.

The following table presents the company's results and ratios with comparative prior year data to give an immediate and transparent view of its performance.

Table 2. Reclassified income statement

	2014	2015
Net fee and commission income	26,748	22,851
Net interest income	37,860	29,003
Net trading income	29	18
Total income	**64,637**	**51,872**
Total net cost of risks	**5,071**	**1,481**
Total net operating expenses	**21,558**	**20,272**
Operating	**38,008**	**30,119**

(€'000)

	2014	2015
Cost/Income	33.4%	39.1%
Roe	12.2%	9.5%
Net interest income/Total income	58.6%	55.9%
Revenue from services/Total income	41.4%	44.1%

Key events of the year

The Board of Directors, during the meetings occurred in the year, constantly analysed and evaluated the reports provided by the Executive Board concerning the Company's business performance, exposures to large assignors and to large assigned debtors, the risk positions (classified as non-performing and / or unlikely to pay) and the relative accruals, as well as transfers to loss on receivables. On a quarterly basis, the directors examined the income statement and the financial position of the Company, and its portfolio composition (aging, exposure above 25 million, etc.), the resolutions adopted with reference to credit limits and disputed receivables, regulatory capital, liquidity risk, participations in non-financial companies (such as participations in initiatives in the movie industry).

The Board of Directors, during the year, also adopted, even acknowledging the regulations issued by the Parent Company, appropriate internal regulations, in compliance with the provisions of the 15th update of Bank of Italy circular no. 263 of 27 December 2006.

The **board meeting of 6 March 2015** approved the draft financial statements as at and for the year ended 31 December 2014, which showed a profit of €25.5 million, and the proposed allocation of the profit. The board called an ordinary meeting of the shareholders for 8 April 2015.

During the same meeting, the directors reviewed and approved the 2015 budget.

On 29 April 2015, the company sent Bank of Italy the report on its organisational structure by certified e-mail, as required by the supervisory instructions for financial intermediaries.

The Padua branch moved to Via Ponte Molino 4, which houses the parent's new branch, on 1 July 2015.

The **board meeting of 30 July 2015** called an **extraordinary shareholders' meeting** for 30 September to resolve on modifications to the by-laws and all other measures necessary to include the company in the "new" unified list, to take place before 11 October 2015 (Bank of Italy Circular no. 288 of 3 April 2015).

During the **extraordinary meeting of 30 September 2015**, the shareholders approved all the amendments to the by-laws necessary to include the company in the "new" unified list, as required by Bank of Italy Circular no. 288 of 3 April 2015.

The **board meeting** held on the same date approved the technical annexes drawn up as part of the application for inclusion in the "new" unified list (report on organisational structure, three-year plan, GAP analysis) in accordance with Bank of Italy's Circular no. 288.

During the same meeting, the directors reviewed the AML unit's half-year report prepared in compliance with Bank of Italy's Measure of 10 March 2011.

On 8 October 2015, and hence before the deadline of 11 October 2015, the parent presented Factorit's application for inclusion in the list as per article 106 of the "new" Consolidated Banking Act (unified list) to Bank of Italy. The board of directors was informed of this in its meeting of 28 October.

Bank of Italy formally informed the parent in its letter of 24 November 2015, copied to Factorit, that it had commenced the authorisation procedure for inclusion in the list as per article 106 of the Consolidated Banking Act on 17 November 2015.

On 9 November 2015, the Bologna branch moved to Via Riva di Reno 58 where the parent's new branch is located.

Commercial performance

Loans and receivables assigned during the year amounted to €9,324 million, just under the volume for 2014 (-0.2%).

Loans and receivables assigned without recourse, i.e., when payment is guaranteed, made up 48.8% of the total turnover while those assigned with recourse accounted for 51.2%. With respect to the Italian factoring market, 68%

of the loans and receivables were assigned without recourse and 32% with recourse.

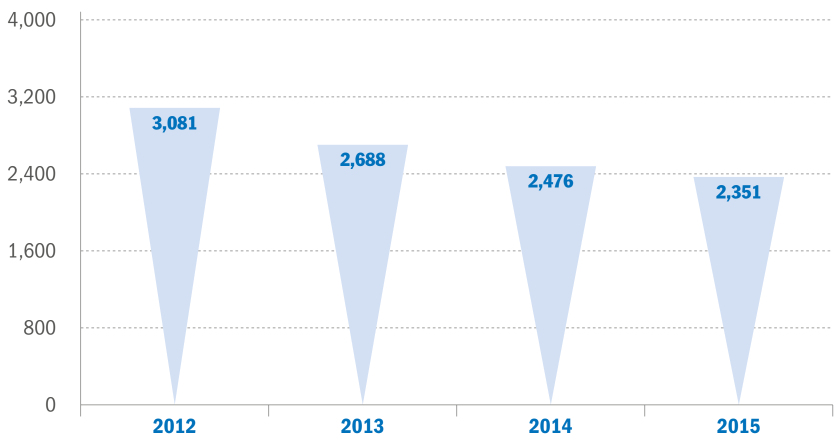
Active customers numbered 1,352 at year end, down 5.3% on the previous year end.

Table 3. Operating figures

	2014	2015	Scostamento
Turnover	**9,339,772**	**9,324,298**	**-0.2%**
including: without recourse	4,318,596	4,547,497	5.3%
including: with recourse	5,021,176	4,776,801	-4.9%
Net fee and commission income (%)	**0.29**	**0.25**	
Advances (stock) at 31/12	**1,769,469**	**1,652,089**	**-6.6%**
Outstanding	**2,475,655**	**2,351,366**	**-5.0%**
including: without recourse	1,190,687	1,074,671	-9.7%
including: with recourse	1,284,968	1,276,695	-0.6%
No. of dossiers processed	**1,398,829**	**1,443,615**	**3.2%**

(€'000)

Graph 4. Outstanding loans and receivables (€m)



The average term of loans and receivables decreased to 92 days (2014: 97), compared to a market average of 114. This reduction was mainly due to the type of Factorit's customers and, therefore, their payment terms.

A breakdown by segment of the loans and receivables assigned at 31 December 2015 shows the growth of the "territorial" segments, especially those involved in managing customers in north Italy (Lombardy and Piedmont), where the shareholder banks have a more widespread base. The import and export factoring segments also performed well.

An analysis of turnover by product shows that the traditional factoring accounts for 35.2% of total volumes. Financing products without notice to the debtor make up 44.4% of the total, followed by maturity factoring (17.6% of the total) and products with guarantee only without notice (2.8% of the total).

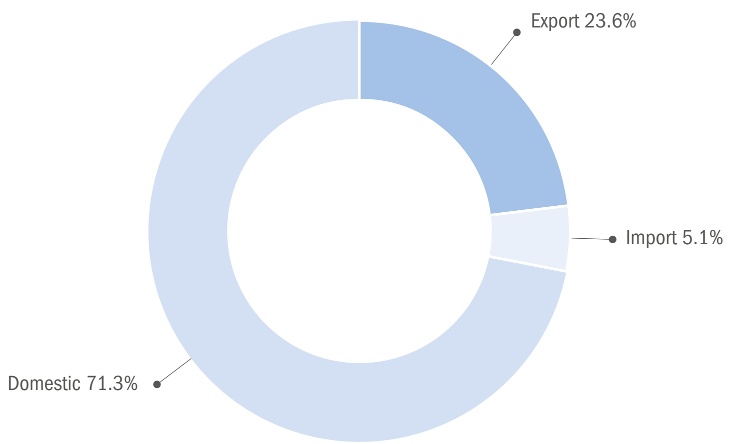
Table 4. Product segmentation (percentage of total)

	2013	2014	2015
Traditional factoring	38.3%	42.1%	35.2%
Financing products without notice	40.7%	39.1%	44.4%
Maturity factoring	15.0%	15.7%	17.6%
Guarantee only without notice	6.0%	3.1%	2.8%
Total	**100.0%**	**100.0%**	**100.0%**

(%)

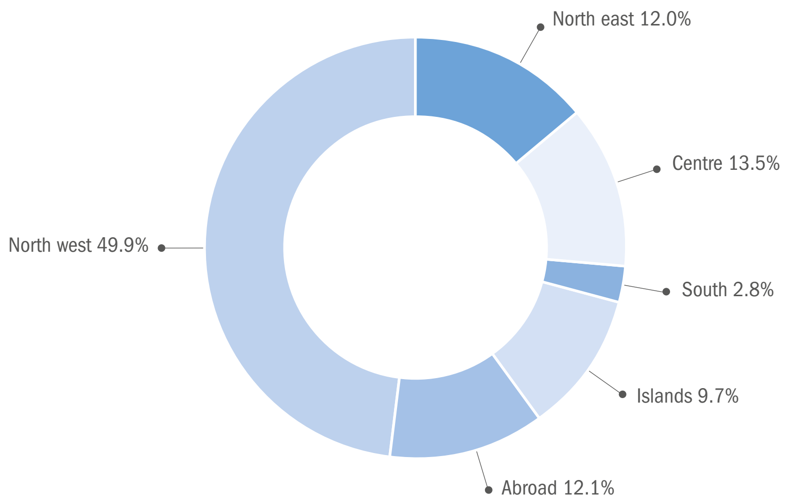
Domestic transactions made up 71.3% of total loans and receivables factored (turnover of €6,649.1 million). Export factoring accounted for 23.6% (€2,202.8 million) and import factoring for 5.1% (€472.4 million).

Graph 5. Breakdown of turnover by geographical segment



The company mainly works in areas where its shareholder banks have a widespread presence. Loans and receivables assigned by customers based in Lombardy made up 30.3% of the total. The most significant regions in terms of volumes are Piedmont (17.7%), Lazio (11.1%), Emilia Romagna (6.3%), Sicily (5.4%), Veneto (4.7%) and Sardinia (4.3%). Turnover contributed by customers based abroad made up 12.1% of the total.

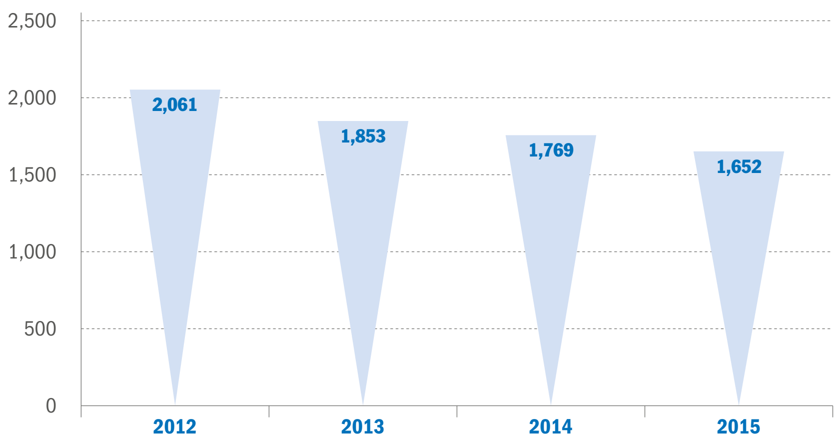
Graph 6. Breakdown of customers by macro geographical segment



(percentages calculated considering the customers' registered office)

At 31 December 2015, advances amounted to €1,652 million, equal to 70.3% of the outstanding loans and receivables

Graph 7. Advances (€m)



Distribution channels

Assignments by customers referred by the shareholder banks amounted to €4,324 million, equal to 46.4% of the total loans and receivables assigned, down 13.1% on the previous year.

Factorit has product distribution agreements with 55 banks, for a total of roughly 6,000 bank counters throughout Italy.

Considering the banking channel as a whole, referred customers contributed €4,566.7 million, equal to 49% of the total amount of loans and receivables assigned.

Customers from the “direct” channel assigned loans and receivables of €4,385.2 million, up 11.7% on the previous year.

Import factoring volumes include referrals from the other members of the Factors Chain International (FCI).

Table 5. Breakdown of turnover by distribution channel

	2014	%	2015	%	Variation
Banca Popolare di Sondrio	*2,643,571*	*28.3%*	*2,140,992*	*23.0%*	*-19.0%*
Banco Popolare	*1,261,323*	*13.5%*	*1,191,148*	*12.8%*	*-5.6%*
Banca Popolare di Milano Group	*1,069,488*	*11.5%*	*991,874*	*10.6%*	*-7.3%*
Total shareholder banks	*4,974,382*	*53.3%*	*4,324,014*	*46.4%*	*-13.1%*
Total BANKS	**5,289,563**	**56.6%**	**4,566,669**	**49.0%**	**-13.7%**
Total IMPORT	**212,576**	**2.3%**	**472,410**	**5.1%**	**+122.2%**
Total DIRECT	**3,837,633**	**41.1%**	**4,285,219**	**45.9%**	**+11.7%**
Total	**9,339,772**	**100.0%**	**9,324,298**	**100.0%**	**-0.2%**

(€'000)

Changes to the regulatory framework

The compliance unit identifies changes in the regulations due to measures introduced by the legislator and the supervisory bodies that would affect the company’s operations.

During the year, as part of its duties to monitor non-compliance risks with transparency regulations, the compliance unit performed checks of the informational sheets, contractual documentation, periodic communications and management of customer complaints, including at the outlying branches with positive results. It noted that the company substantially complies with the correct preparation of pre-contractual and contractual documents.

Based on the comments made by the compliance unit in its opinions and reports, the company introduced internal measures on usury (the 2015 update to the document on usury rules) and insider information (it revised the service order for the creation of a register of persons with access to insider information).

The compliance unit also checked how conflicts of interest are managed with respect to both directors' interests as per article 2391 of the Italian Civil Code and related party transactions pursuant to Bank of Italy Circular no. 263/2006 (Title V, chapter V Risk activities and conflicts of interest with related parties). Its findings were positive.

During the year, the compliance unit issued three opinions on AML and combating the financing of terrorism regulations covering the AML obligations applicable after factoring transactions are performed and, especially, in one case, the due diligence requirements for export factoring and/or international factoring products.

The unit also assisted the company to revise the contracts for outsourcing relevant activities to comply with Bank of Italy's recent instructions.

Organisational structure and human resources

During the year some internal staff transfers were carried out. The shifts led to a better protection of the operating activities. The commercial service and credit service were specially involved in this process, aimed at strengthening creditworthiness' evaluation methods, the management of counterparty risk, and the development of commercial activities.

Table 6. Average number of employees

	2014	2015
Managers	5	5
Junior managers	64	67
White collars	96	91
Total	**165**	**163**
including: part-time	*19*	*18*

Eight people left the company and another eight people joined, most of whom with fixed term contracts. The average number for the year (163) is not weighted, in particular with respect to the 18 part-time contracts.

At year end, the company had 163 employees: 90 men and 73 women.

Staff with fixed term contracts was taken on during the year to deal with peaks in the workload and special projects. Their contracts will finish in the next few months.

All employees were provided with professional training during the year in courses financed by the Banking and Insurance Fund, thus increasing their knowledge of regulatory and technical issues. A special course was held for the commercial service employees to develop their relationship and management skills.

In accordance with the new state-region occupational safety directives, the company continued to provide the related training to all new hires.

Risks

Interest rate and liquidity risk

Reference should be made to section 3 of the notes - Risks and hedging policies for information on interest rate risks.

The company's liquidity risk is managed by the parent's relevant units, which ensured it received the financial recourses necessary to carry out its business.

Credit risk

Thanks to the constant focus on credit risk by all the competent internal bodies, impaired loans and receivables decreased considerably.

At year end, non-performing exposures, before impairment losses, amounted to €31.8 million, including forborne exposures of €0.01 million (exposures for which changes in the contractual conditions have been granted, the so-called “forborne exposure”), equal to 1.9% of the total principal lent. Net of impairment losses, these exposures amounted to €1.8 million (31 December 2014: €2.6 million), equal to 0.1% of the advances (31 December 2014: 0.1%) which totalled €1,652 million at year end (31 December 2014: €1,769 million).

94.3% of the non-performing exposures were provided for.

At 31 December 2015, unlikely to pay exposures, including the former restructured exposures, before impairment losses, amounted to €50.5 million, including forborne exposures of €18.0 million (31 December 2014: €46.4 million) and, net of impairment losses, amounted to €24.4 million (31 December 2014: €23.8 million).

The company recorded losses of €14.2 million in 2015 (2014: €10.3 million). Specifically, they included amounts due from assignors (€11.1 million), debtors (€2.3 million) and fees and small receivables (€0.8 million). The amount recognised was fully covered by the relevant allowances.

Risk concentration and regulatory capital

During the year, the company continued the activities to ensure it complied with the ceilings set by the current relevant regulations using the applications introduced several years ago.

At year end, it had 14 large exposures. The parent issued sureties to cover the amount in excess of the individual limit for the two largest exposures, one of which was for a very small amount, of major industrial groups.

Section 3 of the notes - Risks and hedging policies and Section 4 - Equity provide more information about risk concentration and the regulatory capital.

Going concern

Given the current shareholding structure and the fact that the company does not have capitalisation issues and has historically made a profit, the directors are satisfied that it can continue as a going concern.

Other information

Pursuant to article 2428.3.1 of the Italian Civil Code, it is noted that the company did not carry out any R&D activities during the year.

The *Other disclosures* section of the notes provides the information on related party transactions required by article 2428.3.2 of the Italian Civil Code.

With respect to the disclosures as per article 2428.3.3/4 of the Italian Civil Code, the company states that it does not hold treasury shares or shares of its parent, either directly or via trustees or nominees. Moreover, it states that it did not either purchase or sell treasury shares or shares of its parent during the year, either directly or via trustees or nominees.

Part D of the notes and the previous sections of this report provide the information about risks required by article 2428.6-bis of the Italian Civil Code.

The company does not have secondary offices.

Outlook

According to Bank of Italy's most recent estimates, the global economy should see a modest recovery in 2016 and 2017.

Modest growth is expected in the Eurozone, although weak foreign demand and falling oil prices could contribute to new risks of deceleration and negative inflation.

Italy's slow recovery is forecast to continue. Prometeia estimates predict growth at the same pace as in Germany in 2016, thanks to the upturn in internal demand, better labour market conditions and an expansionary approach to public debt. These will offset the expected drop in exports, which has driven growth in the last four years but is now affected by the weak non-European markets. Overall, recovery should strengthen in the next two years with GDP expected to be +1.2% in 2016 (+1.5% in the 2016-2017 two-year period according to Bank of Italy), as the estimate for 2015 has been corrected upwards (+0.8%).

With respect to the factoring sector, the Italian operators are optimistic about 2016. Forecasts about the ratio of factoring turnover to GDP show an expected growth rate of between +3.2% and +7.8% for an average of +5.5% depending on the underlying scenario assumptions. The operators' expectations are for an average market growth rate of +4.4% in terms of turnover and of +2.4% in terms of outstanding.

In this scenario, Factorit will continue to monitor all those activities that mitigate risk and ensure the ongoing improvement of its portfolio quality.

In commercial terms, thanks to the increasingly close relationship with the distribution channels and, especially, with the parent, Factorit expects to see a rise in turnover and advances to customers in 2016, to be achieved in part through the search for new development opportunities in the public sector, to which the company previously preferred to be less exposed given its payment trends. The company will also develop new commercial initiatives abroad.

Events after the reporting date

On 26 January 2016, the board of directors appointed Mr. Roberto Ruozi, the deputy chairman, to replace Mr. Piero Melazzini who passed away on 30 November 2015.

The company finalised two agreements with established banks at the end of January/start of February for the referral of customers that would be interested in its factoring services. The banks have over 340 branches throughout Italy.

In the second half of February 2016, the company was informed that a major German group/customer was encountering financial difficulties due to its unsuccessful IPO.

The customer is currently indebted with German and Italian financial institutions and, specifically, owes Factorit €27.6 million.

The company was also informed that:

- negotiations are in place between the customer and the German creditors to obtain a standstill concession until 31 December 2016. This agreement is subject to certain conditions/requests, which include the Italian creditors' agreement with the standstill concession;
- the customer has engaged a leading consultancy company to prepare a new 2016-2018 business plan.

The board of directors reviewed the situation on 7 March 2016 and found that the amounts recognised in the financial statements at 31 December 2015 do not need to be impaired as a result of the above given it is not possible to estimate the impairment loss, based on their best use and using the currently available allowances.

Dear shareholders,

We propose you approve the financial statements as at and for the year ended 31 December 2015 and the allocation of the profit for the year as follows:

Profit for the year	€	20,759,673
Retained earnings	€	310,746
Profit to be allocated	€	21,070,419
including:		
5% to the legal reserve	€	1,037,984
€0.096 as a dividend to each of the 85,000,002 outstanding shares	€	8,160,000
to the extraordinary reserve	€	11,643,569
to retained earnings	€	228,866

We invite you to approve the financial statements as they stand and the proposed allocation of the profit for the year.

We would like to take the opportunity to thank the shareholders for their services to the company during the year.

We would also like to thank the board of statutory auditors for its assistance provided during the year, to all the company's employees for their constant commitment, to the banks that use our services, the members of Factors Chain International and the bodies of Assifact.

Milan, 19 February 2016

On behalf of the board of directors

Chairman
(Roberto Ruozi)

(signed on the original)

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENT OF THE FINANCIAL STATEMENTS

The financial statements of Factorit S.p.A. comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes, and are accompanied by a directors' report. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission pursuant to Regulation (EC) no. 1606 of 19 July 2002, considering the interpretations issued by the International Interpretations Committee (IFRIC) applicable at the reporting date.
The company has drafted the financial statements on the basis of the "*Instructions for the preparation of financial statements and reports of financial intermediaries, payment institutes, e-money institutes, fund management companies and stock brokerage companies*" issued by Bank of Italy in its measure of 15 December 2015 as part of its powers conferred by Legislative decree no. 38 of 28 February 2005, which transposes and implements the above IFRS.

The financial statements are clearly stated and give a true and fair view of the company's financial position and financial performance.

The notes present, analyse and, in some cases, supplement the information provided in the financial statements. They include the disclosures required by the instructions for the preparation of financial statements by financial intermediaries. They also comprise all the additional information deemed necessary to give a true and fair view.

STATEMENT OF FINANCIAL POSITION

(Euro)

Assets	**31/12/2015**	**31/12/2014**
10. Cash and cash equivalents	3,838	3,856
40. Available-for-sale financial assets	1,060,000	1,750,000
60. Loans and receivables	1,596,359,245	1,705,343,435
100. Property and equipment	394,390	418,577
110. Intangible assets	118,658	149,618
120. Tax assets	39,299,204	42,528,672
a) current	11,617,422	14,257,046
b) deferred	27,681,782	28,271,626
including: as per Law no. 214/2011	*26,566,924*	*26,251,658*
140. Other assets	9,671,063	7,527,213
TOTAL ASSETS	**1,646,906,398**	**1,757,721,371**

Liabilities and equity	**31/12/2015**	**31/12/2014**
10. Financial liabilities	1,390,556,917	1,506,022,548
70. Tax liabilities	10,813,828	13,717,898
a) current	8,774,666	11,674,467
b) deferred	2,039,162	2,043,431
90. Other liabilities	20,595,891	20,509,424
100. Post-employment benefits	2,350,613	2,324,262
110. Provisions for risks and charges:	3,303,372	6,422,740
a) pension and similar provisions	-	-
b) other provisions	3,303,372	6,422,740
120. Share capital	85,000,002	85,000,002
150. Share premium	11,030,364	11,030,364
160. Reserves	102,670,876	87,355,759
170. Valuation reserves	-175,138	-176,743
180. Profit for the year	20,759,673	25,515,117
TOTAL LIABILITIES AND EQUITY	**1,646,906,398**	**1,757,721,371**

INCOME STATEMENT

(Euro)

	2015	2014
10. Interest and similar income	35,382,640	49,949,202
20. Interest and similar expense	-6,380,014	-12,089,104
NET INTEREST INCOME	29,002,626	37,860,098
30. Fee and commission income	27,609,358	31,981,482
40. Fee and commission expense	-4,757,824	-5,233,824
NET FEE AND COMMISSION INCOME	22,851,534	26,747,658
60. Net trading income	18,362	29,021
TOTAL INCOME	51,872,522	64,636,777
100. Net impairment losses on:	-2,830,058	-5,449,783
a) financial assets	-2,905,813	-7,173,687
b) other financial transactions	75,755	1,723,904
110. Administrative expenses:	-22,522,246	-23,055,605
a) personnel expense	-12,747,770	-12,060,178
b) other administrative expenses	-9,774,476	-10,995,427
120. Depreciation and net impairment losses on property and equipment	-148,614	-157,033
130. Amortisation and net impairment losses on intangible assets	-64,162	-1,172,688
150. Net accruals to provisions for risks and charges	1,349,289	378,454
160. Other operating income, net	2,462,574	2,827,463
OPERATING PROFIT	30,119,305	38,007,585
180. Net gain on the sale of investments	-	16,418
PRE-TAX PROFIT FROM CONTINUING OPERATIONS	30,119,305	38,024,003
190. Income taxes	-9,359,632	-12,508,886
POST-TAX PROFIT FROM CONTINUING OPERATIONS	20,759,673	25,515,117
PROFIT FOR THE YEAR	**20,759,673**	**25,515,117**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

		2015	2014
10	**Profit for the year**	**20,759,673**	**25,515,117**
	Other comprehensive income (expense), net of tax, that will not be reclassified to profit or loss	-	-
20	Property and equipment	-	-
30	Intangible assets	-	-
40	Defined benefit plans	1,605	-123,323
50	Non-current assets held for sale	-	-
60	Share of valuation reserves of equity-accounted investees	-	-
	Other comprehensive income (expense), net of tax, that will be reclassified to profit or loss	-	-
70	Hedges of investments in foreign operations	-	-
80	Exchange rate gains (losses)	-	-
90	Cash flow hedges	-	-
100	Available-for-sale financial assets	-	-
110	Non-current assets held for sale	-	-
120	Share of valuation reserves of equity-accounted investees	-	-
130	Total other comprehensive income (expense), net of tax	1,605	-123,323
140	Comprehensive income (captions 10+110)	**20,761,278**	**25,391,794**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(Euro)

	Balance at 31/12/2014	Changes to opening balances	Balance at 1/01/2015	Allocation of prior year profit		Changes of the year							2015 comprehensive income	Equity at 31/12/2015
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	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	82,402,049	-	82,402,049	15,315,117	-	-	-	-	-	-	-		-	97,717,166
b) other	4,953,710	-	4,953,710	-	-	-	-	-	-	-	-		-	4,953,710
Valuation reserves	(176,743)	-	(176,743)	-	-	-	-	-	-	-	-		1,605	(175,138)
Equity instruments	-	-		-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-		-	-	-	-	-	-	-	-		-	-
Profit for the year	25,515,117	-	25,515,117	(15,315,117)	(10,200,000)	-	-	-	-	-	-		20,759,673	20,759,673
Equity	208,724,499	-	208,724,499	-	(10,200,000)	-	-	-	-	-	-		20,761,278	219,285,777

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(Euro)

	Balance at 31/12/2013	Changes to opening balances	Balance at 01/01/2014	Allocation of prior year profit		Changes of the year							2014 comprehensive income	Equity at 31/12/2014
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	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

STATEMENT OF CASH FLOWS

(Euro)

A. OPERATING ACTIVITIES	Amount	
	2015	2015
1. OPERATIONS	**33,951,796**	**44,402,222**
- profit for the year (+/-)	20,759,673	25,515,117
- net losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	-18,362	-29,021
- net impairment losses (+/-)	2,830,058	5,449,783
-net impairment losses on property and equipment and intangible assets (+/-)	212,776	1,329,721
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	1,349,289	378,454
- unsettled taxes and tax assets (+/-)	8,774,666	11,674,467
- other adjustments (+/-)	43,696	83,701
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**106,831,738**	**70,402,152**
- available-for-sale financial assets	690,000	500,000
- loans and receivables with banks	3,507,746	-5,103,412
- loans and receivables with financial institutions	67,463,240	48,098,626
- loans and receivables with customers	36,724,758	28,066,645
- other assets	-1,554,006	-1,159,707
3. CASH FLOWS USED FOR FINANCIAL LIABILITIES	**-128,902,673**	**-107,933,606**
- due to banks	-113,948,835	-85,599,553
- due to financial institutions	-58,720	29,724
- due to customers	-1,458,076	-1,122,840
- securities issued	0	0
- other liabilities	-13,437,042	-21,240,937
Net cash flows generated by operating activities	**11,880,861**	**6,870,768**

B. INVESTING ACTIVITIES

1. CASH GENERATED BY	**0**	**120**
- sales of property and equipment	0	120
- sales of intangible assets	0	0
- sales of business units	0	0
2. CASH FLOWS USED TO ACQUIRE	**-157,629**	**-147,506**
- property and equipment	-124,427	-73,419
- intangible assets	-33,202	-74,087
- business units	0	0
Net cash flows used in investing activities	**-157,629**	**-147,386**

C. FINANCING ACTIVITIES

- issue/repurchase of treasury shares	0	0
- issue/purchase of equity instruments	0	0
- dividend and other distributions	-10,200,000	-7,650,000
Net cash flows used by financing activities	**-10,200,000**	**-7,650,000**
TOTAL NET CASH FLOWS FOR THE YEAR	**1,523,232**	**-926,618**

RECONCILIATION

	Amount	
	2015	2015
Opening cash and cash equivalents	**5,292,761**	**6,219,379**
Total net cash flows for the year	1,523,232	-926,618
Closing cash and cash equivalents	**6,815,993**	**5,292,761**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

PART A *Accounting policies*

A.1 – GENERAL PART

Section 1 *Statement of compliance with IFRS*

Factorit S.p.A., a subsidiary of Banca Popolare di Sondrio S.C.p.a., states that the financial statements were prepared in accordance with all the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), applicable at 31 December 2015, endorsed by the European Union as per the procedure set out by Regulation (EC) no. 1606/2002, integrated by the "Instructions for the preparation of financial statements and reports of financial intermediaries, payment institutes, e-money institutes, fund management companies and stock brokerage companies" issued by Bank of Italy on 15 December 2015.

Section 2 *Basis of preparation*

The financial statements are clearly stated and give a true and fair view of the company's financial position and financial performance.
These notes, prepared in Euros, are based on the following general principles set out in IAS 1:

1) Going concern. The financial statements have been prepared assuming that the company will continue as a going concern; therefore, assets, liabilities and off-statement of financial position transactions are measured on a going concern basis.
2) Accruals basis of accounting. Expenses and revenue are recognised on an accruals and matching basis, regardless of when they are actually settled.
3) Consistency of presentation. The presentation and classification criteria of the captions are consistent from one period to another to ensure comparable information, unless their modification is required by a standard or an interpretation or an improvement in the relevance and reliability of the caption's presentation becomes necessary. In the case of a change in accounting policy, the new policy is applied retroactively, as far as possible, and the nature, reason for and amount of the captions affected by the change are indicated as well as the effects on the company's financial position, financial performance and cash flows. Captions are presented and classified in line with the formats established by Bank of Italy for financial intermediaries issued on 15 December 2015.
4) Materiality and aggregation. The various classes of similar items are presented separately, if material. Different items, if material, are presented separately.
5) Offsetting. Except when required or allowed by a standard or interpretation or Bank of Italy's instructions for the financial statements of financial intermediaries included in the special list, assets and liabilities and expenses and revenue are not offset.

6) Comparative information. Comparative information in respect of the previous year for all amounts reported in the current year's financial statements is disclosed, except when a standard or the interpretations permit or require otherwise. Qualitative information or comments are included when this is useful to understand the financial statements captions.

Section 3 *Events after the reporting date*

Pursuant to IAS 10, all events that affected the company's financial performance in 2015 have been considered, even when they took place after the reporting date.

Section 4 *Other issues*

The company does not participate in the domestic tax consolidation scheme as its parent has not exercised the option under articles 117 to 129 of the Consolidated Income Tax Act.

Reference should be made to the sections on risks for the disclosures required by IAS 1.125. Specifically, with respect to the estimated recoverability of deferred tax assets, impairment losses on loans and receivables and legal and tax risks, the assumptions and uncertainty of estimates mean that there is a risk that significant adjustments to the carrying amount of assets and liabilities may need to be made, including within the next year, as also noted in the Bank of Italy/Consob/Ivsap document of 6 February 2009.

The company has not made any departures from the IFRS when drafting these financial statements.

The shareholders appointed KPMG S.p.A. as the independent auditors on 11 April 2014. KPMG's term of engagement expires with the approval of the company's financial statements at 31 December 2022.

ASSETS

Section 4 *Available-for-sale financial assets*

4.1 Classification

This category includes non-derivative financial assets that are not classified as loans and receivables, financial assets held for trading or held-to-maturity investments. It comprises securities not held for trading and equity investments that do not give the company control, joint control or significant influence over the investee and are not held for trading.

4.2 Recognition

Available-for-sale (AFS) financial assets are initially recognised at their transaction date at their fair value, which usually equals the consideration paid or collected, including transaction costs or revenue in the case of non-current loans and receivables and securities.

4.3 Measurement

AFS financial assets are tested for impairment at each reporting date. Any subsequent reversals of impairment losses cannot exceed the previously recognised impairment loss.

4.4 Derecognition

These financial assets are derecognised when their sale entails the substantial transfer of all the related risks and rewards. i.e., when the contractual rights to the cash flows from the financial asset expire. In this case, the sale is recognised using the criteria applied for the asset's initial recognition.

Section 6 *Loans and receivables*

6.1 Classification

This category includes all non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. It comprises loans and receivables with banks, financial institutions and customers and unquoted debt instruments that the company does not intend to sell in the short term.

6.2 Recognition and derecognition

Loans, receivables and instruments are recognised in this category when disbursed or purchased and they cannot be transferred to another portfolio. Nor can financial instruments of other portfolios be transferred thereto, except for that allowed by the amendment to IAS 39 and IFRS 7 issued by the IASB in 2008.

The category includes advances made against the factoring of loans and receivables with recourse or without recourse without the substantial transfer of the related risks and rewards.
It also comprises loans and receivables assigned to the company and recognised as due from the original debtor when the risks and rewards are substantially transferred by the assignor as per an analytical valuation of the contractual clauses.
If assigned to third parties, the loans, receivables and instruments are only derecognised if and to the limits to which all the risks and rewards are substantially transferred.

6.3 Measurement

Loans and receivables or instruments are initially recognised at fair value when disbursed or purchased, which is usually equal to the amount disbursed or the purchase price, including any transaction costs or revenue that are specifically attributable to each loan and receivable or instrument in the case of assets with a maturity that is more than short-term.

After initial recognition, they are measured at amortised cost and are tested for impairment whenever there is an indication that the debtor’s or issuer’s solvency has deteriorated. The amortised cost method is not used for short-term loans and receivables as their discounting has no material impact.

The impairment test for loans and receivables consists of two stages:
1) individual tests, to test individual impaired loans and receivables and to calculate the impairment loss;
2) collective tests to identify portfolios of impaired loans and receivables using the incurred losses model and to identify any unrecognised losses on a lump sum basis.

According to Bank of Italy’s criteria, applicable at the reporting date, impaired loans and receivables tested individually for impairment are:
a) non-performing exposures;
b) unlikely to pay exposures;
c) exposures that are past due by more than 90 days.

Pursuant to the ruling regulations, the company identifies exposures that are impaired past due.
Starting from 2013, the company has tested this category individually while using the same basis as that used for collective impairment, applying the same impairment percentage to each exposure for debtors in the same situation. It calculates this percentage using internal management statistics. The “impaired past due” category is not discounted.

Impairment losses on each impaired exposure equal the difference between their recoverable amount and the related amortised cost. The recoverable amount is the present value of expected future cash flows calculated on the following basis:
a) contractual cash flows net of expected losses, estimated considering the debtor’s ability to meet its commitments and the realisable value of any collateral or personal guarantees given;

b) the expected recovery time, estimated considering the procedures in place to recover the exposure;
c) the internal rate of return.

The individual impairment loss is calculated in accordance with IAS 39 by discounting the exposure's recoverable amount over the estimated recovery period.

The following calculation parameters are used for non-performing and unlikely to pay exposures:
a) recovery forecasts made by the relevant managers;
b) expected recovery times, based on historical and statistical data;
c) "historical" discount rates, being the contractual rates at the time the individual exposure is classified as "under dispute".

In 2013, the company reviewed the methods used to calculate the expected recovery times for non-performing and unlikely to pay exposures. Specifically, if the managers do not specify an exact recovery date, the recovery time is estimated to be four years for both non-performing and unlikely to pay exposures, in line with the timeframes adopted by the parent. Section 8.1 of these notes shows the effects of application of these methods.
With respect to the collective testing of performing exposures for impairment, the debtor's credit standing is taken to have deteriorated when there is an increase in the related proxy PD and the LGD (loss given default) of exposures in the same portfolio.

The collective testing of performing exposures included:
a) segmenting the portfolio of performing exposures on the basis of the guidelines set out in the supervisory regulations;
b) estimating the probability of transfer of the performing exposures to unlikely to pay/non-performing exposure categories (default rates) on a statistical basis;
c) calculating the LGD on a historical-statistical basis, using a file of non-performing and unlikely to pay exposures.

6.4 Recognition of costs and revenue

Costs and revenue are recognised in the income statement on the following basis:
a) interest income is recognised in "Interest and similar income";
b) impairment losses and reversals of impairment losses are recognised in "Impairment losses/reversals of impairment losses on loans and receivables".

Section 10 Property and equipment

10.1 Classification

This caption includes assets used in the company's operations (furniture, fittings, systems, hardware and cars).

10.2 Recognition and derecognition

Property and equipment are originally recognised at cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Ordinary maintenance costs are expensed on an accruals basis.
These assets are derecognised on disposal and no future economic benefits are expected from their use.

10.3 Measurement

The assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged over the asset's estimated useful life. The company checks at least once a year to see if there have been substantial changes in the asset's original conditions that would require the initial depreciation pattern to be changed. When there is indication of impairment, the assets are tested for impairment. Any reversals of impairment losses cannot exceed the previously recorded impairment losses.

10.4 Recognition of costs and revenue

Costs and revenue are recognised in the income statement on the following basis:

a) depreciation, impairment losses and reversals of impairment losses are recognised in "Depreciation and net impairment losses on property and equipment";
b) gains and losses on the sale of these assets are recognised in "Gains/losses on the sale of investments".

Section 11 Intangible assets

11.1 Classification

This caption includes intangible assets held for production to be used over more than one year, whose cost can be measured reliably when they are:

- identifiable, i.e., arise from legal rights or are separable;
- under the company's control;
- able to generate future economic benefits.

The caption solely comprises software.

11.2 Recognition and derecognition

Intangible assets are recognised at cost, including related charges and costs incurred to increase their value and initial production capacity. Goodwill is the positive difference between the cost incurred to acquire another business and its recoverable amount, which is the higher of value in use and fair value.
Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use.

11.3 Measurement

They are recognised at cost less accumulated amortisation and accumulated impairment losses.
Amortisation is charged over the assets' useful life on a straight-line basis. The company checks regularly to see if there have been substantial changes in the asset's original conditions that would require the initial amortisation pattern to be changed. When there is indication of impairment, the assets are tested for impairment. Any reversals of impairment losses cannot exceed the previously recorded impairment losses.

Goodwill is not amortised but is periodically tested for impairment by comparing the carrying amount of the cash generating units (CGU) as required by IAS 36. Any negative difference between the recoverable amount of the CGU to which the goodwill has been recognised and the carrying amount of the net assets of the same unit is an impairment loss. Impairment losses cannot be reversed.
Goodwill is tested for impairment annually or whenever there is objective evidence of impairment.

11.4 Recognition of costs and revenue

Costs and revenue are recognised in the income statement on the following basis:

a) amortisation, impairment losses and reversals of impairment losses are recognised in "Amortisation and net impairment losses on intangible assets".
b) gains and losses on the sale of these assets are recognised in "Gains/losses on the sale of investments".

Section 12 *Tax assets and liabilities*

12.1 Classification

These captions include current and deferred tax assets and liabilities.

Current tax assets include withholdings and advances paid during the year while current tax liabilities comprise taxes to be paid for the year.
Deferred taxes refer to income taxes recoverable in future periods in respect of deductible temporary differences (deferred tax assets) and income taxes payable in future periods in respect of taxable temporary differences (deferred tax liabilities).

12.2 Recognition, derecognition and measurement

Deferred tax assets are recognised under the balance sheet liability method only when it is probable that the company will have sufficient taxable profit in the same period as the reversal of the deductible temporary differences while deferred tax liabilities are always recognised.

12.3 Recognition of costs and revenue

Tax income and expense are recognised in the income statement as "Income taxes" unless they arise on transactions, the effects of which are recognised directly in equity.

LIABILITIES

Section 1 *Financial liabilities*

1.1 Classification

Due to banks include all financial liabilities, other than financial liabilities held for trading, financial liabilities at fair value through profit or loss and securities issued which form part of the company's normal financing operations.
Due to financial institutions and customers includes the consideration to be paid to the assignor as part of the assignment of loans and receivables that substantially transfer all the risks and rewards by the factor.

1.2 Recognition and derecognition

These liabilities are recognised at their settlement date at their present value which is usually equal to the amount collected by the company, for amounts due to banks, and to the amount of the liability, in the case of financial institutions and customers, given the short-term nature of the related transactions.
Financial liabilities are derecognised when the related contractual rights expire or are extinguished.

1.3 Measurement

After initial recognition, financial liabilities are measured at the amount collected or their original amount, given their short-term nature.

1.4 Recognition of costs and revenue

Costs and revenue are recognised in the income statement on the following basis:
a) interest expense is recognised in "Interest and similar expense".

Section 10 *Post-employment benefits*

10.1 Classification

Italian post-employment benefits (TFR) are the benefits due by the company to all its employees when they leave.

10.2 Measurement

Post-employment benefits and the internal supplementary defined-benefit pension plan are calculated by third party actuaries using the projected unit credit method, as required by IAS 19 for defined benefit plans, as these benefits fall into this category.
The calculation solely considers the benefits' carrying amount and not accruals made during the year to external supplementary pension funds.

Pursuant to the revised IAS 19 - Employee benefits, actuarial gains and losses are recognised directly in equity.

10.3 Recognition of costs and revenue

Costs and revenue are recognised in the income statement on the following basis:

a) accruals for post-employment benefits, seniority bonuses and the supplementary pension fund, as well as the payments to the defined contribution plan, are recognised in "Administrative expenses - personnel expense";
b) actuarial gains and losses are recognised directly in equity.

Section 11 *Provisions for risks and charges*

11.1 Classification

These provisions are set up to cover certain or probable liabilities, the amount or due date of which is uncertain. Accruals are made to the provisions for risks and charges in line with IAS 37.

11.2 Recognition, measurement and derecognition

Where the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.
Provisions are derecognised when used or the conditions for their continued existence cease to exist.

11.3 Recognition of costs and revenue

Accruals to provisions are recognised in "Net accruals to provisions for risks and charges".

Foreign currency transactions

Classification
Foreign current transactions include all those assets and liabilities in currencies other than the Euro.

Recognition and derecognition
Foreign currency assets and liabilities are initially translated into Euros using the spot rate ruling at the transaction date.

Measurement
They are subsequently retranslated using the spot rate ruling at the reporting date.

Recognition of costs and revenue
Foreign currency transactions are minimal. Moreover, the company usually hedges foreign currency loans with funding in the same currency to avoid currency risk.

Any exchange rate gains or losses (which are immaterial) are recognised in "Net trading income".

Revenue and costs

Revenue and costs are recognised and presented on an accruals basis. Revenue is recognised when it is probable that the economic benefits arising from the transactions will flow to the company and these benefits can be measured reliably. They are measured at the fair value of the consideration due.
Specifically:

- revenue from one-off fees and commissions on the assignment of loans and receivables are recognised over the term of the assigned receivables. Periodic and deferred fees and commissions are recognised when received on an accruals basis;
- default interest is recognised in profit or loss solely when collected;
- interest on considerations received from the assignors, and on payment extensions granted to the assigned debtors, is recognised on an accruals basis.

Costs are recognised when there is a decrease in the future economic benefits that leads to a decrease in the assets or an increase in the liabilities that can be measured reliably.

A.3 – TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

The company has not transferred financial assets from one portfolio to another in 2015.

A.4 – FAIR VALUE

Qualitative information

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. It is not an actual price but an amount of money that the two parties involved in the transaction can agree on and as such is not affected by subjective factors. Moreover, fair value is not the current market value but includes all those factors that contribute to making the potential transaction happen: additional costs, probable changes to the price at the transaction date, future company performance.
The IFRS classify fair value of financial instruments using a three-level hierarchy based on market input.
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data. An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity’s own data.

A.4.1 – Levels 2 and 3: valuation techniques and inputs used

The company’s assets mainly consist of trade receivables assigned without recourse and advances granted against trade receivables assigned as part of factoring transactions.
There is no observable market data about the value of the receivables assigned as the price is based solely on specific private agreements between the parties.

Accordingly, the company classifies the trade receivables in level 3 given the lack of external inputs.
The most appropriate method to measure the fair value of the receivables assigned and the advances granted is to calculate their present value by discounting future cash flows using the effective interest rate agreed with the assignor. This rate also considers the other transaction costs.
The receivables assigned and the advances granted usually have a short-term nature and the interest rate also tends to be floating.
For these reasons, it can be said that the fair value of the receivables is equal to the value of the transaction, being the nominal amount of the receivables assigned in the case of factoring without recourse, or the amount of the advances granted.
Financial liabilities mostly consist of bank loans and borrowings, whose fair value is equal to the amounts or funds received by the company, given the short-term nature of the liability.
These captions are categorised as third level as they are regulated by private agreements agreed from time to time with the counterparties and, therefore, are not reflected in quotations or parameters observable on the market.

QUANTITATIVE DISCLOSURE

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

	Livello 1	Livello 2	Livello 3	TOTALE
1. Financial assets held for trading	-	-	-	-
2. Financial assets at fair value through profit or loss	-	-	-	-
3. Available-for-sale financial assets	-	-	1,060,000	1,060,000
4. Hedging derivatives	-	-	-	-
5. Property and equipment	-	-	-	-
6. Intangible assets	-	-	-	-
Total assets	-	-	**1,060,000**	**1,060,000**
1. Financial liabilities held for trading	-	-	-	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total liabilities	-	-	-	-

A.5 – INFORMATION ON “DAY ONE PROFIT/LOSS”

The day one profit/loss, regulated by IFRS 7 and IAS 39.AG.76 is the difference between the initial recognition of the transaction price of a financial instrument and its fair value. Generally speaking, this difference exists for financial instruments that do not have an active market and it is recognised in profit or loss over the financial instrument’s useful life.
The company has not engaged in transactions that would have entailed the recognition of significant day one profit/loss.

PART B Notes to the statement of financial position

ASSETS

Section 1 Cash and cash equivalents – Caption 10

	31/12/2015	31/12/2014
a) Cash	3,838	3,856
b) Demand deposits with central banks	-	-
Total	**3,838**	**3,856**

Section 4 Available-for-sale financial assets – Caption 40

4.1 Available-for-sale financial assets: breakdown by product

Voci/Valori	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**
- Structured	-	-	-	-	-	-
- Other	-	-	-	-	-	-
2. Equity instruments and OEIC units	**-**	**-**	1,060,000	**-**	**-**	1,750,000
- including: measured at cost	-	-	1,060,000	-	-	1,750,000
3. Financing	**-**	**-**	-	**-**	**-**	-
Total	**-**	**-**	**1,060,000**	**-**	**-**	**1,750,000**

The equity instruments solely refer to the contribution of two joint ventures as per article 2549 of the Italian Civil Code involving the production and use of cinematographic works. They are maintained at cost as their fair value cannot be determined reliably.

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

	31/12/2015	31/12/2014
Financial assets	**1,060,000**	**1,750,000**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Financial institutions	-	-
e) Other issuers	1,060,000	1,750,000
Total	**1,060,000**	**1,750,000**

Section 6 *Loans and receivables – Caption 60*

6.1 Loans and receivables with banks

Composizione	31/12/2015				31/12/2014			
	Valore di bilancio	Fair Value			Valore di bilancio	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	**6,812,155**	**-**	**-**	**6,812,155**	**5,288,905**	**-**	**-**	**5,288,905**
2. Financing	**91,186**	**-**	**-**	**91,186**	**549,326**	**-**	**-**	**549,326**
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Finance leases	-	-	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	549,326	-	-	549,326
- with recourse	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	549,326	-	-	549,326
2.4 Other financing	91,186	-	-	91,186	-	-	-	-
3 Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
4. Other assets	**3,729,705**	**-**	**-**	**3,729,705**	**6,779,351**	**-**	**-**	**6,779,351**
Total	**10,633,046**	**-**	**-**	**10,633,046**	**12,617,582**	**-**	**-**	**12,617,582**

The fair value of loans and receivables with banks equals their carrying amount, as they are on demand, short-term financial assets.

"Deposits and current accounts" of €6,812,155 consists of temporary liquidity deposited with banks, mainly originating from large cash inflows at year end.

Caption 4 "Other assets" includes:

- €8,751 from foreign correspondents;
- €663,332 from Banco Popolare (former Banca Italease S.p.A.) for the IRES reimbursement claim due to the non-deduction of IRAP on personnel expense as per Law decree no. 201/2011 filed by the company given that it was part of the domestic tax consolidation scheme of that company's group up until 2009;
- €2,997,845 of advances to assignors made on behalf of banks as syndicated factoring transactions for which Factorit acts as lead factor;
- €59,777 of charges.

6.2 Loans and receivables with financial institutions

	31/12/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing	**60,351,824**	**-**	**28,030**	**-**	-	**60,379,854**	**127,813,052**	**-**	**26,596**	**-**	-	**127,839,648**
1.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	35,469,938	-	605	-	-	**35,470,543**	102,135,403	-	406	-	-	**102,135,809**
- with recourse	35,469,938	-	605	-	-	**35,470,543**	102,023,589	-	406	-	-	**102,023,995**
- without recourse	-	-	-	-	-	-	111,814	-	-	-	-	**111,814**
1.4 Other financing	24,881,886	-	27,425	-	-	**24,909,311**	25,677,649	-	26,190	-	-	**25,703,839**
2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
- structured	-	-	-	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-	-	-	-
3 Other assets	-	-	-	-	-	-	**3,446**	-	-	-	-	**3,446**
Total	**60,351,824**	**-**	**28,030**	**-**	**-**	**60,379,854**	**127,816,498**	**-**	**26,596**	**-**	**-**	**127,843,094**

The fair value of loans and receivables with financial institutions is their carrying amount, as these financial assets are mostly on demand or short term, net of impairment losses.

Caption 1.4 “Other financing” includes advances for assignments of receivables that do not fall within the scope of Law no. 52/91 (€24,909,311).

6.3 Loans and receivables with customers

	31/12/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing	**1,496,699,512**	**-**	**28,645,029**	**-**	**-**	**1,525,344,541**	**1,537,823,692**	**-**	**27,058,021**	**-**	**-**	**1,564,881,713**
1.1. Finance leases	-	-		-	-		-	-	-	-	-	
including: without purchase option	-	-		-	-		-	-	-	-	-	
1.2. Factoring	1,443,710,430	-	28,276,677	-	-	1,471,987,107	1,523,655,831	-	26,248,351	-	-	1,549,904,182
- with recourse	1,428,845,693	-	19,888,385	-	-	1,448,734,078	1,452,833,841	-	16,859,539	-	-	1,469,693,380
- without recourse	14,864,737	-	8,388,292	-	-	23,253,029	70,821,990	-	9,388,812	-	-	80,210,802
1.3. Consumer credit	-	-		-	-		-	-	-	-	-	
1.4. Credit cards	-	-		-	-		-	-	-	-	-	
1.5. Pawn loans	-	-		-	-	-	-	-	-	-	-	-
1.6. Financing granted in relation to payment services provided	-	-		-	-		-	-	-	-	-	
1.7. Other financing	52,989,082	-	368,352	-	-	53,357,434	14,167,861	-	809,670	-	-	14,977,531
including: from the enforcement of guarantees and commitments	-	-		-	-		-	-	-	-	-	
2. Debt instruments	-	-		-	-		-	-	-	-	-	
2.1. Structured instruments	-	-		-	-		-	-	-	-	-	
2.2. Other debt instruments	-	-		-	-		-	-	-	-	-	
3. Other assets	**1,804**	-	-	-	-	**1,804**	**1,046**	-	-	-	-	**1,046**
Total	**1,496,701,316**	**-**	**28,645,029**	**-**	**-**	**1,525,346,345**	**1,537,824,738**	**-**	**27,058,021**	**-**	**-**	**1,564,882,759**

The fair value of loans and receivables with customers is their carrying amount, as these financial assets are mostly on demand or short term, net of impairment losses.

Impaired assets are recognised at their estimated recoverable amount.

The performing “Other financing” comprises:

- financing of €40,194,581;
- accrued charges due from the assigned debtors on payment extensions granted to them of €826,383;
- advances for assignments of loans and receivables that do not fall under the scope of Law no. 52/91 of €11,930,492;
- post office current accounts of €37,626.

The impaired “Other financing” includes:

- non-performing exposures of €57,330 for advances for assignments of loans and receivables that do not fall under the scope of Law no. 52/91 and other financing of €8;
- unlikely to pay exposures of €290,210 for other financing and €63 for accrued charges due from the assigned debtors on payment extensions granted to them;
- past due exposures of €20,741 for accrued charges due from by the assigned debtors.

6.4 Loans and receivables: guaranteed assets

	31/12/2015						31/12/2014					
	Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with banks		Loans and receivables with financial institutions	
	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV
1. Performing assets guaranteed by:	**-**	**-**	**34,439,221**	**34,439,221**	**1,337,736,593**	**1,337,734,712**	**-**	**-**	**100,977,913**	**100,977,913**	**1,435,824,802**	**1,401,690,676**
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Factoring receivables	-	-	34,439,221	34,439,221	1,327,393,851	1,327,393,851	-	-	100,977,913	100,977,913	1,434,102,790	1,399,968,664
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Collateral	-	-	-	-	10,342,742	10,340,861	-	-	-	-	1,722,012	1,722,012
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	**-**	**-**	**-**	**-**	**12,619,428**	**12,619,428**	**-**	**-**	**-**	**-**	**10,140,708**	**10,140,708**
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Assigned loans and receivables	-	-	-	-	12,013,350	12,013,350	-	-	-	-	9,027,441	9,027,441
- Mortgages	-	-	-	-	438,777	438,777	-	-	-	-	393,855	393,855
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Collateral	-	-	-	-	167,301	167,301	-	-	-	-	719,412	719,412
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**34,439,221**	**34,439,221**	**1,350,356,021**	**1,350,354,140**	**-**	**-**	**100,977,913**	**100,977,913**	**1,445,965,510**	**1,411,831,384**

CA = carrying amount of assets
FV = fair value of guarantees

The table shows guarantees received for performing and impaired assets.

Pursuant to the regulations about the assignment of loans and receivables that do not fall under the scope of Law no. 52/91, the “assigned loans and receivables” do not include “other assignments”. The amounts are classified by type of guarantee and the guaranteed party’s business sector. The “FV” column shows the value of the guaranteed asset in the case of guarantees with a value that exceeds the guaranteed asset.

Loans and receivables acquired through without recourse factoring transactions are shown in the relevant guarantee line, if they are guaranteed.

When more than one underlying guarantee has been given, the advances paid to assignors in transactions with recourse and the underlying assets acquired in transactions without recourse are recognised in the following order of priority:

1) mortgages;
2) pledges;
3) factoring receivables;
4) collateral.

Section 10 *Property and equipment – Caption 100*

10.1 Property and equipment: assets measured at cost

	31/12/2015	31/12/2014
1. Owned	**394,390**	**418,577**
a) land	-	-
b) buildings	-	-
c) furniture	178,050	211,041
d) electronic systems	47,465	15,989
e) other	168,875	191,547
2. Under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**394,390**	**418,577**

10.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance			**1,560,654**	**3,112,217**	**889,910**	**5,562,781**
A.1 Total net impairment losses			1,349,613	3,096,228	698,363	5,144,204
A.2 Net opening balance			**211,041**	**15,989**	**191,547**	**418,577**
B. Increases			**2,843**	**40,923**	**80,661**	**124,427**
B.1 Purchases			2,843	40,923	80,661	124,427
B.2 Capitalised improvement costs			-	-	-	-
B.3 Reversals of impairment losses			-	-	-	-
B.4 Fair value gains recognised in:			-	-	-	-
a) equity			-	-	-	-
b) profit or loss			-	-	-	-
B.5 Exchange rate gains			-	-	-	-
B.6 Transfers from investment property			-	-	-	-
B.7 Other increases			-	-	-	-
C. Decreases			**35,834**	**9,447**	**103,333**	**148,614**
C.1 Sales			-	-	-	-
C.2 Depreciation			35,834	9,447	103,333	148,614
C.3 Impairment losses recognised in:			-	-	-	-
a) equity			-	-	-	-
b) profit or loss			-	-	-	-
B.4. Fair value losses recognised in:			-	-	-	-
a) equity			-	-	-	-
b) profit or loss			-	-	-	-
C.5 Exchange rate losses			-	-	-	-
C.6 Transfers to:			-	-	-	-
a) investment property			-	-	-	-
b) disposal groups			-	-	-	-
C.7 Other decreases			-	-	-	-
D. Net closing balance			**178,050**	**47,465**	**168,875**	**394,390**
D.1 Total net impairment losses			1,385,447	3,105,675	801,696	5,292,818
D.2 Gross closing balance			**1,563,497**	**3,153,140**	**970,571**	**5,687,208**
E. Measurement at cost			**178,050**	**47,465**	**168,875**	**394,390**

Section 11 *Intangible assets – Caption 110*

11.1 Composition of caption 110 "Intangible assets"

	31/12/2015		31/12/2014	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill	**-**	**-**	**-**	**-**
2. Other intangible assets				
2.1 Owned	118,658	-	149,618	-
- internally developed assets	-	-	-	-
- other	118,658	-	149,618	-
2.2 Under finance lease	-	-	-	-
Total 2	**118,658**	**-**	**149,618**	**-**
3. Assets under finance lease				
3.1 Unopted assets	-	-	-	-
3.2 Withdrawn due to termination of lease	-	-	-	-
3.3 Other	-	-	-	-
Total 3	**-**	**-**	**-**	**-**
4. Assets under operating lease	**-**	**-**	**-**	**-**
Total (1+2+3+4)	**118,658**	**-**	**149,618**	**-**

11.2 Intangible assets: changes

	Total
A. Opening balance	**149,618**
B. Increases	**33,202**
B.1 Purchases	33,202
B.2 Reversals of impairment losses	-
B.3 Fair value gains recognised in:	-
- equity	-
- profit or loss	-
B.4 Other increases	-
C. Decreases	**64,162**
C.1 Sales	-
C.2 Amortisation	64,162
C.3 Impairment losses recognised in:	-
- equity	-
- profit or loss	-
C.4 Fair value losses recognised in:	-
- equity	-
- profit or loss	-
C.5 Other decreases	-
D. Closing balance	**118,658**

Section 12 *Tax assets and liabilities*

Article 16 of Law decree no. 83/2015, enacted on 27 June 2015, subsequently converted by Law no. 132/2015 of 6 August 2015, amended the provisions of article 106 of the Consolidated Income Tax Act about the deductibility of impairment losses and losses on loans and receivables of banks and financial institutions.

Deferred tax assets and liabilities are recognised using the liability method pursuant to IAS 12 and Bank of Italy's specific instructions.

12.1 Composition of caption 120 "Tax assets: current and deferred"

	31/12/2015	31/12/2014
Current tax assets	11,617,422	14,257,046
Deferred tax assets (through equity)	93,572	94,181
Deferred tax assets (through profit or loss)	27,588,210	28,177,445
Total	**39,299,204**	**42,528,672**

Deferred tax assets refer to taxes on costs recognised in profit or loss and equity, which are deductible in future years in accordance with the current tax regulations and which mainly relate to impairment losses on loans and receivables, accruals to the provisions for risks, changes in actuarial gains and losses on pension plans which arose during the year and application of the provisions set out in Law decree no. 83/2015 referred to the deductibility of impairment losses and losses on loans and receivables.

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

	31/12/2015	31/12/2014
Current tax liabilities	8,774,666	11,674,467
Deferred tax liabilities (through equity)	2,039,162	2,039,162
Deferred tax liabilities (through profit or loss)	-	4,269
Total	**10,813,828**	**13,717,898**

Deferred tax liabilities mainly refer to taxes on the different measurement of loans and receivables upon first-time adoption of the IFRS, with taxability deferred to subsequent years, and to the amortisation of goodwill deducted for tax purposes only.

The deferred tax rates are: 27.5% for the IRES tax (article 77 of Presidential decree no. 917/86) and 5.57% for the IRAP tax.

12.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**28,177,445**	**29,392,228**
2. Increases	**315,266**	**2,439,091**
2.1 Deferred tax assets recognised in the year	315,266	2,439,091
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	315,266	2,439,091
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**904,501**	**3,653,874**
3.1 Deferred tax assets derecognised in the year	904,501	3,653,874
a) reversals	904,501	3,653,874
b) impairment due to non-recoverability	-	-
b) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets including: as per Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**27,588,210**	**28,177,445**

Deferred tax assets recognised in the year relate to accruals to taxed provisions for risks and the excess impairment losses on loans and receivables recognised in profit or loss compared to the deductible amount according to the relevant regulations governing the deductibility of impairment losses on loans and receivables.
Deferred tax assets derecognised in the year refer to assets that arose in previous years and were deducted in the current year related to the utilisation or release of taxed provisions for risks.

12.3.1 Changes in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**26,251,658**	**26,845,768**
2. Increases	**315,266**	**1,897,871**
3. Decreases	**-**	**2,491,981**
3.1 Reversals	-	2,491,981
3.2 Conversions into tax assets	-	-
a) arising on the loss for the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**26,566,924**	**26,251,658**

12.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**4,269**	**384,634**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**4,269**	**380,365**
3.1 Deferred tax liabilities derecognised in the year	4,269	380,365
a) reversals	4,269	379,604
b) due to changes in accounting policies	-	-
c) other	-	761
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**4,269**

12.5 Changes in deferred tax assets (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**94,181**	**47,404**
2. Increases	**-**	**46,777**
2.1 Deferred tax liabilities recognised in the year	-	46,777
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	46,777
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**609**	**-**
3.1 Deferred tax assets derecognised in the year	609	-
a) reversals	-	-
b) impairment due to non-recoverability	-	-
b) due to changes in accounting policies	-	-
d) other	609	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**93,572**	**94,181**

12.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**2,039,162**	**2,039,162**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,039,162**	**2,039,162**

Section 14 Other assets – Caption 140

14.1 Composition of caption 140 “Other assets”

	31/12/2015	31/12/2014
Tax credits (not classifiable as tax assets)	469,498	555,847
Items in transit not yet posted to destination accounts	7,719,502	5,054,203
Advances to suppliers	2,704	8,971
Prepayments and accrued income not recognisable under a specific caption	654,384	668,997
Other items	824,975	1,239,195
Total	**9,671,063**	**7,527,213**

“Tax credits” includes the payment on account of €332,980 for the 2015 virtual stamp duty.
They also include the claimed reimbursement for the deductibility of IRAP related to personnel expense for 2011 from IRAP (€125,786).

Other items include €511,302 paid after first level court hearings against which the company has appealed or has commenced opposition proceedings.

LIABILITIES AND EQUITY

Section 1 *Financial liabilities – Caption 10*

1.1 Loans and borrowings

	31/12/2015			31/12/2014		
	Due to banks	Due to fin. institutions	Due to customers	Due to banks	Due to fin. institutions	Due to customers
1. Financing	**1,380,600,072**	**-**	**-**	**1,494,441,314**	**-**	**-**
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other financing	1,380,600,072	-	-	1,494,441,314	-	-
2. Other loans and borrowings	**6,535,347**	**342,302**	**3,079,196**	**6,642,940**	**401,022**	**4,537,272**
Total	**1,387,135,419**	**342,302**	**3,079,196**	**1,501,084,254**	**401,022**	**4,537,272**
Fair value Level 1						
Fair value Level 2						
Fair value Level 3	**1,387,135,419**	**342,302**	**3,079,196**	**1,501,084,254**	**401,022**	**4,537,272**
Total fair value	**1,387,135,419**	**342,302**	**3,079,196**	**1,501,084,254**	**401,022**	**4,537,272**

The fair value of amounts due to banks, financial institutions and customers is their nominal amount as they are on demand or short-term financial liabilities.
Due to banks includes:

	Amount
On demand current account exposures	29,925,182
Advances under reserve on cash orders or direct debits	94,517,777
Hot money at maturity	321,000,000
Commissions to be paid	1,516,704
Foreign currency advances	32,247,807
Supplier invoices received and to be received	1,138,902
Due to parent	904,112,777
Accrued expenses on hot money	15,495
Accrued expenses on foreign currency advances	6,544
Due to principals	2,654,231
Other	-
Total	**1,387,135,419**

“Other loans and borrowings” from financial institutions entirely consists of invoices received and to be received for syndicated transactions.

“Other loans and borrowings” from customers comprises factoring liabilities for receivables from assigned debtors recognised in the financial statements.

Section 7 *Tax liabilities – Caption 70*

See section 12 of the Assets section.

Section 9 *Other liabilities – Caption 90*

9.1 Composition of caption 90 “Other Liabilities”

	31/12/2015	31/12/2014
Taxes payables	657,466	609,025
Personnel	172,555	148,884
Social security institutions	555,850	547,865
Suppliers	1,284,260	856,986
Invoices to be received	595,362	1,403,538
Amounts to be credited under processing	13,477,437	11,413,331
Provision for guarantees and commitments	328,237	403,994
Other	3,524,724	5,125,801
Total	**20,595,891**	**20,509,424**

“Amounts to be credited under processing” include:

- direct remittances received but not yet allocated to the relevant captions (€11947,950);
- bills to be credited (€1,505,471);
- bills after collection (€24,016).

“Other” comprises:

- deferred income due to the allocation of commissions invoiced to customers over the receivable’s term on an accruals basis (€1,915,685);
- items not attributable to the other captions (€1,609,039).

Section 10 *Post-employment benefits – Caption 100*

10.1 Post-employment benefits: changes

	31/12/2015	31/12/2014
A. Opening balance	**2,324,262**	**2,123,354**
B. Increases	**43,696**	**253,800**
B.1 Accruals	43,696	83,701
B.2 Other increases	-	170,099
C. Decreases	**17,345**	**52,892**
C.1 Payments	8,300	29,185
C.2 Other decreases	9,045	23,707
D. Closing balance	**2,350,613**	**2,324,262**

Italian post-employment benefits qualify as a defined benefit plan under IAS 19 and are, accordingly, measured using the projected unit credit method.

The following assumptions were adopted in the actuarial calculation:

	31/12/2015	31/12/2014
Technical discount rate	2.05%	1.88%
Annual inflation rate	1.5%	1.5%
Annual post-employment benefits growth rate	2.50%	2.50%

Section 11 Provisions for risks and charges – Caption 110

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

	31/12/2015	31/12/2014
1. Internal pension funds	-	-
2. Other provisions for risks and charges	3,303,372	6,422,740
2.1 legal disputes	1,951,462	5,536,037
2.2 personnel expense	861,910	886,703
2.3 other	490,000	-
Total	**3,303,372**	**6,422,740**

The provisions for legal disputes were set up for:

- claw-back claims of €630,551;
- actions brought against the company of €1,320,911.

The provisions for personnel expense refer to:

- personnel training of €75,483;
- other personnel expense of €786,427.

"Other" solely comprises an accrual made during the year for risks of a possible dispute related to application of Law no. 136/2010.

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

	Pension funds	Other provisions	31/12/2015
A. Opening balance	-	**6,422,740**	**6,422,740**
B. Increases	-	**1,327,718**	**1,327,718**
B.1 Accruals	-	1,308,295	1,308,295
B.2 Changes due to passage of time	-	-	-
B.3 Changes due to variations in discount rate	-	-	-
B.4 Other increases	-	19,423	19,423
C. Decreases	-	**4,447,086**	**4,447,086**
C.1 Utilisations	-	2,361,333	2,361,333
C.2 Changes due to variations in discount rate	-	-	-
C.3 Other decreases	-	2,085,753	2,085,753
D. Closing balance	-	**3,303,372**	**3,303,372**

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

12.1 Composition of caption 120 "Share capital"

	31/12/2015
1. Share capital	85,000,002
1.1 Ordinary shares	85,000,002
1.2 Other shares	-

The share capital consists of 85,000,002 shares with a nominal amount of €1.

12.2 Composition of caption 130 “Treasury shares”

The company did not hold treasury shares at either 31 December 2015 or 2014.

12.3 Composition of caption 140 “Equity instruments”

The company had not issued equity instruments at either 31 December 2015 or 2014.

12.4 Composition of caption 150 “Share premium”

This reserve amounts to €11,030,364.

12.5 Other information

Availability and distributability of the equity captions

	Amount	Utilisation	Available portion	Summary of use in the three previous years	
				to cover losses	for other reasons
Share capital	85,000,002	-	-	-	-
Equity-related reserves	-	-	-	-	-
Income-related reserves					
Legal reserve	9,835,395	B	-	-	-
Share premium	11,030,364	A-B	7,164,605	-	-
Share premium	-	A-B-C	3,865,759	-	-
Other reserves	92,349,597	A-B-C	92,349,597	-	-
Retained earnings	310,746	A-B-C	310,746	-	-
Total	**198,526,104**		**103,690,707**	**-**	**-**
Non-distributable portion	**-**	**-**	**7,164,605**	**-**	**-**
Remaining distributable portion	**-**	**-**	**96,526,102**	**-**	**-**

Key: A - capital increases; B - to cover losses; C - dividend distributions.

Other reserves include the FTA reserve (€5,350,212), the reserve for unexercised stock options (€304,394) and the non-distributable actuarial reserve (-€175,138).

12.6 Composition of caption 170 “Valuation reserves”

These reserves have a negative balance of €175,138 and entirely relate to the actuarial gains and losses on post-employment benefits.

PART C Notes to the income statement

Section 1 Interest – Captions 10 and 20

1.1 Composition of caption 10 “Interest and similar income”

	Debt instruments	Financing	Other transactions	2015	2014
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
2. Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**
3. Available-for-sale financial assets	**-**	**-**	**-**	**-**	**-**
4. Held-to maturity investments	**-**	**-**	**-**	**-**	**-**
5. Loans and receivables	**-**	**35,382,640**	**-**	**35,382,640**	**49,948,540**
5.1. Loans and receivables with banks	-	11,828	-	11,828	20,974
5.2. Loans and receivables with financial institutions	-	2,537,036	-	2,537,036	4,921,732
5.3 Loans and receivables with customers	-	32,833,776	-	32,833,776	45,005,834
6. Other assets	**-**	**-**	**-**	**-**	**662**
7. Hedging derivatives	**-**	**-**	**-**	**-**	**-**
Total	**-**	**35,382,640**	**-**	**35,382,640**	**49,949,202**

1.2 Interest and similar income: other disclosures

Foreign currency interest income on loans and receivables with customers and financial institutions amounts to €846,984 (2014: €838,300).

1.3 Composition of caption 20 “Interest and similar expense”

	Financing	Securities	Other transactions	2015	2014
1. Due to banks	(6,375,784)		-	(6,375,784)	(12,089,064)
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 or loss	-	-	-	-	-
7. Other liabilities			(4,230)	(4,230)	(40)
8. Hedging derivatives			-	-	-
Total	**(6,375,784)**	**-**	**(4,230)**	**(6,380,014)**	**(12,089,104)**

Section 2 *Fees and commissions – Captions 30 and 40*

2.1 Composition of caption 30 "Fee and commission income"

	2015	2014
1. Finance leases	**-**	**-**
2. Factoring	**25,116,264**	**29,790,577**
3. Consumer credit	**-**	**-**
4. Merchant banking	**-**	**-**
5. Guarantees given	**-**	**-**
6. Services	**-**	**-**
- fund management on behalf of third parties	-	-
- currency trading	-	-
- product distribution	-	-
- other	-	-
7. Collection and payment services	**-**	**-**
8. Servicing for securitisations	**-**	**-**
9. Other fees and commissions	**2,493,094**	**2,190,905**
Total	**27,609,358**	**31,981,482**

Starting from 2013, the company has used an IT tool for its factoring transactions to allocate one-off fees and commissions over the related term of the loans and receivables assigned. At the reporting date, €1,915,685 had been deferred. Other fees and commissions include fees for transactions that do not fall under the scope of Law no. 52/91 (other financing, other sales, etc.).

2.2 Composition of caption 40 "Fee and commission expense"

	2015	2014
1. Guarantees received	**(302,238)**	**(160,910)**
2. Distribution of third party services	**-**	**-**
3. Collection and payment services	**-**	**-**
4. Other fees and commissions	**(4,455,586)**	**(5,072,914)**
4.1 factoring	(2,895,502)	(3,410,596)
4.2 other	(1,560,084)	(1,662,318)
Total	**(4,757,824)**	**(5,233,824)**

Like that set out for caption 30, fee and commission expense based on one-off fee and commission income are treated similarly. At the reporting date, the deferred amount was €105,375.

Section 4 *Net trading income – Caption 60*

4.1 Composition of caption 60 "Net trading income"

Item 3 "Other financial assets and liabilities: exchange differences" shows a balance of €18,362.

Section 8 *Net impairment losses – Caption 100*

8.1 "Net impairment losses on financial assets"

	Impairment losses		Reversals of impairment losses		2015	2014
	Individual	Collective	Individual	Collective		
1. Loans and receivables with banks		**(197)**		**1,185**	**988**	**146**
- leases						
- factoring				1,185	1,185	146
- other		(197)			(197)	
2. Loans and receivables with financial institutions	**(1,704)**		**1,236**	**623,665**	**623,197**	**563,171**
Impaired loans and receivables purchased						
- leases						
- factoring						
- other						
Other	(1,704)		1,236	623,665	623,197	563,171
- leases						
- factoring	(1,704)			623,665	621,961	(2,300)
- other			1,236		1,236	565,471
3. Loans and receivables with customers	**(12,788,712)**	**(164,109)**	**6,797,142**	**2,625,681**	**(3,529,998)**	**(7,737,004)**
Impaired loans and receivables purchased						
- leases						
- factoring						
- consumer credit						
- other						
Other	(12,788,712)	(164,109)	6,797,142	2,625,681	(3,529,998)	**(7,737,004)**
- leases						
- factoring	(12,342,793)		6,063,454	2,561,661	(3,717,678)	(563,877)
- consumer credit						
- Pawn loans						
- other	(445,919)	(164,109)	733,688	64,020	187,680	(7,173,127)
Total	**(12,790,416)**	**(164,306)**	**6,798,378**	**3,250,531**	**(2,905,813)**	**(7,173,687)**

The table shows the effects of measuring the company's loans and receivables on the income statement.

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

	Impairment losses		Reversals of impairment losses		Total	
	Individual	Collective	Individual	Collective	2015	2014
A. Guarantees given	(241,035)	-	316,790	-	75,755	1,723,904
B. Credit derivatives	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-
E. Total	**(241,035)**	**-**	**316,790**	**-**	**75,755**	**1,723,904**

Section 9 *Administrative expenses – Caption 110*

9.1 Composition 110.a "Personnel expense"

	2015	2014
1. Employees	**(12,402,787)**	**(11,644,114)**
a) Wages and salaries	(8,544,425)	(8,115,446)
b) Social security contributions	(2,459,852)	(2,259,104)
c) Post-employment benefits	-	-
d) Pension costs	-	-
e) Accrual for post-employment benefits	(43,696)	(83,701)
f) Accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) Payments to external supplementary pension:	(745,022)	(655,371)
- defined contribution plans	(745,022)	(655,371)
- defined benefit plans	-	-
h) Other costs	(609,792)	(530,492)
2. Other personnel	**(59,221)**	**(127,890)**
3. Directors and statutory auditors	**(302,852)**	**(317,034)**
4. Retired personnel	**-**	**-**
5. Cost recoveries for personnel seconded to other companies	**106,898**	**109,622**
6. Cost reimbursements for personnel seconded to the company	**(89,808)**	**(80,762)**
Total	**(12,747,770)**	**(12,060,178)**

"Directors and statutory auditors" include the insurance premium of €30,196 for the civil liability policy agreed for the directors and statutory auditors.

9.2 Average number of employees by category

	2015		2014	
	Average	**Reporting date**	**Average**	**Reporting date**
Employees	**163**	**163**	**165**	**163**
a) Managers	5	6	5	5
b) Junior managers	67	67	64	65
including: 3rd and 4th level	39	39	39	39
c) Other employees	91	90	96	93
Other personnel	**9**	**9**	**8**	**9**

The average employee number does not include weighing, in particular, for part-time contracts.

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

	2015	2014
Building costs:	(1,536,200)	(1,514,881)
- leases and maintenance	(1,484,404)	(1,471,203)
- utilities	(51,796)	(43,678)
Indirect taxes and duties	(1,975,324)	(2,029,330)
Postal, telephone, printing and other office expenses	(533,503)	(465,889)
Maintenance and charges for furniture, equipment and systems	(505,046)	(473,478)
Professional services and consultancy	(750,583)	(877,094)
Legal fees	(1,772,258)	(2,760,834)
Advertising, entertainment and gifts	(129,156)	(127,887)
Insurance premiums	(68,587)	(59,483)
Transport, rentals and business trips	(445,701)	(498,544)
Outsourcing	(1,156,053)	(1,301,929)
Data registration by third parties	(517,175)	(505,208)
Membership fees	(53,585)	(59,561)
Other	(331,305)	(321,309)
Total	**(9,774,476)**	**(10,995,427)**

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

10.1 Composition of caption 120 “Depreciation and net impairment losses on property and equipment”

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a+b-c)
1. Property and equipment	**(148,614)**	**-**	**-**	**(148,614)**
1.1 Owned	(148,614)	-	-	(148,614)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(35,834)	-	-	(35,834)
d) operating	(9,447)	-	-	(9,447)
e) other	(103,333)	-	-	(103,333)
1.2 under finance lease	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) operating	-	-	-	-
e) other	-	-	-	-
2. Investment property	**-**	**-**	**-**	**-**
Total	**(148,614)**	**-**	**-**	**(148,614)**

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

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

Voci/Rettifiche e riprese di valore	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a+b-c)
1. Goodwill	-	-	-	-
2. Other intangible assets	**(64,162)**	-	-	**(64,162)**
2.1 owned	(64,162)	-	-	(64,162)
2.2 under finance lease	-	-	-	-
3. Assets under finance lease	-	-	-	-
4. Assets under operating lease	-	-	-	-
Total	**(64,162)**	-	-	**(64,162)**

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

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

	Accruals	Releases	2015	2014
1. Accruals to the provision for pension and similar provisions	-	-	-	-
2. Accruals to other provisions for risks and charges	**(736,464)**	**2,085,753**	**1,349,289**	**378,454**
a) legal disputes	(246,464)	2,085,753	1,839,289	378,454
b) personnel expense	-	-	-	-
c) other	(490,000)	-	(490,000)	-
Total	**(736,464)**	**2,085,753**	**1,349,289**	**378,454**

Section 14 *Other net operating income – Caption 160*

14.1 Composition of caption 160 "Other operating income"

	2015	2014
- recovery of taxes	232,031	273,783
- recovery of costs	897,539	1,375,140
- income for IT services rendered	756,654	671,687
- other	750,655	771,807
Total	**2,636,879**	**3,092,417**

"Other" includes income of €58,675 for factoring activities and other assignments.

14.2 Composition of caption 160 "Other operating expenses"

	2015	2014
- other	(174,305)	(264,954)
Total	**(174,305)**	**(264,954)**

Section 16 *Net gain on the sale of investments – Caption 180*

16.1 Composition of caption 180 "Net gain on the sale of investments"

	2015	2014
A. Buildings	**-**	**-**
- Gains	-	-
- Losses	-	-
B. Other assets	**-**	**16,418**
- Gains	-	16,418
- Losses	-	-
Net gain	**-**	**16,418**

Section 17 *Income taxes – Caption 190*

Factorit did not participate in the domestic tax consolidation scheme in 2015 as its parent did not exercise the option under articles 117 to 129 of the Consolidated Income Tax Act. The tax expense reflects a reasonable expectation of the taxes due for the year, based on the ruling tax regulations.

17.1 Composition of caption 190 "Income taxes"

	2015	2014
1. Current taxes (-)	(8,774,666)	(11,674,467)
2. Change in current taxes from previous years (+/-)	-	-
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011	-	-
4. Change in deferred tax assets (+/-)	(589,235)	(1,214,784)
5. Change in deferred tax liabilities (+/-)	4,269	380,365
6. Tax expense for the year (-) (-1+/-2+3/-4+/-5)	**(9,359,632)**	**(12,508,886)**

The current tax expense includes IRES at 27.5% and IRAP at 5.57%.

17.2 Reconciliation between the theoretical and effective tax expense

	IRES		IRAP		Total
	Tax base	Tax	Tax base	Tax	
Theoretical tax expense	30,119,305	8,282,809	30,119,305	1,677,645	
Tax credit	-	-	-	-	
Increase in permanent differences	723,650	199,004	15,558,218	866,593	
Decrease in permanent differences	(2,635,643)	(724,802)	(16,616,731)	(925,552)	
Increase in temporary differences	2,430,616	668,419	726,453	40,464	
Increase in temporary differences (for the year as per Law no. 214/2011)	-	-	-	-	
Decrease in temporary differences	(4,763,322)	(1,309,914)	-	-	
Effective tax expense	**25,874,606**	**7,115,516**	**29,787,245**	**1,659,150**	**(8,774,666)**

Section 18 *Post-tax profit (loss) from discontinued operations - Caption 200*

None.

Section 19 *Income statement: other information*

19.1 Breakdown of interest income and fee and commission income

	Interest income			Fee and commission income			2015	2014
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- moveable property	-	-	-	-	-	-	-	-
- operating assets	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	**2,537,037**	**32,833,775**	**420,968**	**1,981,819**	**25,206,571**	**62,980,170**	**81,909,048**
- current accounts	-	1,463,872	26,375,261	-	418,693	24,454,019	52,711,845	70,405,171
- future loans and receivables	-	-	1,384,660	-	-	243,552	1,628,212	1,082,468
- loans and receivables purchased outright	-	-	-	-	-	-	-	-
- loans and receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- other financing	-	1,073,164	5,073,855	420,968	1,563,126	509,000	8,640,113	10,421,409
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special purpose loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Pawn loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	-	**2,537,036**	**32,833,776**	**420,968**	**1,981,819**	**25,206,571**	**62,980,170**	**81,909,048**

19.2 Other information

Breakdown of interest and similar expense

	Amount
Current account overdrafts	(414,551)
Advances under reserve	(295,917)
Hot money	(5,038,936)
Foreign currency advances	(626,320)
Prior year expense and other interest	(4,290)
Total	**(6,380,014)**

PART D Other information

Section 1 Business operations

B. FACTORING AND ASSIGNMENT OF LOANS AND RECEIVABLES

B.1 – Gross amount and carrying amount

B.1.1 – Factoring transactions

	31/12/2015			31/12/2014		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	**1,490,070,883**	**10,890,515**	**1,479,180,368**	**1,639,061,510**	**12,720,950**	**1,626,340,560**
- exposures to assignors (with recourse)	1,475,123,060	10,807,429	1,464,315,631	1,566,912,765	12,055,335	1,554,857,430
- assignments of future loans and receivables	97,239,347	850,267	96,389,080	43,549,990	148,056	43,401,934
- other	1,377,883,713	9,957,162	1,367,926,551	1,523,362,775	11,907,279	1,511,455,496
- exposures to assigned debtors (without recourse)	14,947,823	83,086	14,864,737	72,148,745	665,615	71,483,130
2. Impaired assets	**74,771,715**	**46,494,433**	**28,277,282**	**81,561,188**	**55,312,431**	**26,248,757**
2.1 Non-performing exposures	**30,067,720**	**28,310,527**	**1,757,193**	**43,527,913**	**40,942,046**	**2,585,867**
- exposures to assignors (with recourse)	24,621,623	22,864,430	1,757,193	36,156,764	33,570,897	2,585,867
- assignments of future loans and receivables	469,495	393,800	75,695	535,778	460,027	75,751
- other	24,152,128	22,470,630	1,681,498	35,620,986	33,110,870	2,510,116
- exposures to assigned debtors (without recourse)	5,446,097	5,446,097	-	7,371,149	7,371,149	-
- purchased for less than their nominal amount	82,169	82,169	-	371,522	371,522	-
- other	5,363,928	5,363,928	-	6,999,627	6,999,627	-
2.2 Unlikely to pay exposures	**42,011,203**	**17,941,557**	**24,069,646**	**37,416,196**	**14,314,849**	**23,101,347**
- exposures to assignors (with recourse)	27,926,477	12,086,450	15,840,027	22,988,817	9,157,476	13,831,341
- assignments of future loans and receivables	761,617	738,856	22,761	683,311	362,549	320,762
- other	27,164,860	11,347,594	15,817,266	22,305,506	8,794,927	13,510,579
- exposures to assigned debtors (without recourse)	14,084,726	5,855,107	8,229,619	14,427,379	5,157,373	9,270,006
- purchased for less than their nominal amount	8,242	8,242	-	74,834	74,834	-
- other	14,076,484	5,846,865	8,229,619	14,352,545	5,082,539	9,270,006
2.3 Impaired past due exposures	**2,692,792**	**242,349**	**2,450,443**	**617,079**	**55,536**	**561,543**
- exposures to assignors (with recourse)	2,518,428	226,658	2,291,770	486,526	43,787	442,739
- assignments of future receivables	-	-	-	-	-	-
- other	2,518,428	226,658	2,291,770	486,526	43,787	442,739
- exposures to assigned debtors (without recourse)	174,364	15,691	158,673	130,553	11,749	118,804
- purchased for less than their nominal amount	-	-	-	-	-	-
- other	174,364	15,691	158,673	130,553	11,749	118,804
Total	**1,564,842,598**	**57,384,948**	**1,507,457,650**	**1,720,622,698**	**68,033,381**	**1,652,589,317**

Since 1 January 2015, impaired financial assets are classified as non-performing, unlikely to pay or impaired past due exposures. The restructured exposures recognised at 31 December 2014 have all been recognised as unlikely to pay exposures after a careful analytical analysis.

The table shows a breakdown of loans and receivables recognised in caption 60 under Assets, with reference to the factoring business.
Loans and receivables are classified as performing or impaired and by type of counterparty: assignor and assigned debtor.
The recognition of a loan or receivable as "assigned debtor" assumes that the assignment of the loans and receivables led to the effective transfer of all the related risks and rewards to the factor. If this is not the case, the factor may only recognise the receivable due from the assignor for advances granted to it.

The table also provides details of the advances granted against assignments of loans and receivables that do not fall under the scope of Law no. 52/91.

	31/12/2015			31/12/2014		
	Gross amount	**Impairment losses**	**Carrying amount**	**Gross amount**	**Impairment losses**	**Carrying amount**
1. Performing assets	37,029,297	216,919	36,812,378	32,316,337	280,939	32,035,398
2. Impaired assets	1,469,963	1,385,208	84,755	1,469,963	1,386,514	83,449
2.1 Non-performing exposures	1,178,699	1,121,369	57,330	1,178,699	1,121,439	57,260
2.2 Unlikely to pay exposures	291,264	263,839	27,425	291,264	265,075	26,189
2.3 Impaired past due exposures	-	-	-	-	-	-
Total	**38,499,260**	**1,602,127**	**36,897,133**	**33,786,300**	**1,667,453**	**32,118,847**

B.2 – Breakdown by residual maturity

Past due loans and receivables, compared to the invoice payment date, are recognised in the "on demand" bracket if they are not impaired. If they are impaired, they are classified based on the due date estimated for financial statement purposes.

B.2.1 – Factoring transactions with recourse: advances and "outstanding"

Fasce temporali	31/12/2015		31/12/2014	
	Advances	**Outstanding**	**Advances**	**Outstanding**
- on demand	131,748,483	321,010,316	125,057,438	364,172,117
- up to 3 months	1,119,649,326	1,602,452,829	1,233,958,017	1,622,727,926
- from 3 to 6 months	105,410,350	243,477,262	138,049,872	252,740,099
- from 6 months to 1 year	21,651,176	21,035,235	26,933,578	24,248,509
- after 1 year	105,745,286	16,018,196	47,718,472	10,203,296
- open term	-	-	-	-
Total	**1,484,204,621**	**2,203,993,838**	**1,571,717,377**	**2,274,091,947**

The table provides details of the amounts shown in table B.1 above solely for loans and receivables with assignors. It does not include transactions that do not fall under the scope of Law no. 52/91.
The allocation of advances for factoring transactions with recourse was assumed to be in line with the due dates for the related outstanding.
The outstanding for assignments of loans and receivables that did not fall under the scope of Law no. 52/91 amounted to €108,362,364 at the reporting date.

B.2.2 – Factoring transactions without recourse: exposures

	Exposures	
	31/12/2015	31/12/2014
- on demand	2,503,891	20,577,219
- up to 3 months	11,725,270	48,719,895
- from 3 to 6 months	802,083	2,311,577
- from 6 months to 1 year	8,062,354	16,734
- after 1 year	159,431	9,246,515
- open term	-	-
Total	**23,253,029**	**80,871,940**

The table shows the carrying amount of exposures purchased for factoring without recourse and loans and receivables purchased at other than their nominal amount, broken down by residual maturity bracket.

B.3 – Changes in impairment losses

B.3.1 – Factoring transactions

The table shows changes in impairment losses (individual and collective) on exposures to assignors and assigned debtors during the year and the opening and closing balances of the impairment losses. The impairment losses, calculated on exposures classified as impaired, are always shown as individual losses as per the regulations.
Since 1 January 2015, impaired financial assets are classified as non-performing, unlikely to pay or impaired past due exposures.

Financial assets are derecognised when the rights to receive the related cash flows are extinguished.

	Increases					Decreases					Closing impairment losses
	Opening impairment losses	Impairment losses	Losses on assignments	Transfers from another category	Other increases	Opening impairment losses	Impairment losses	Losses on assignments	Transfers from another category	Other increases	
Individual impairment losses on impaired assets	**55,312,431**	**12,344,497**	**-**	**2,229,514**	**-**	**6,063,454**	**-**	**3,610,239**	**13,718,316**	**-**	**46,494,433**
Exposures to assignors	**42,772,160**	**9,385,274**	**-**	**1,925,940**	**-**	**4,487,312**	**-**	**3,307,350**	**11,111,174**	**-**	**35,177,538**
- Non-performing exposures	33,570,897	1,952,031	-	564,412	-	1,469,273	-	1,047,994	10,705,643	-	22,864,430
- Unlikely to pay exposures	9,106,394	7,247,761	-	1,308,885	-	3,005,632	-	2,165,427	405,531	-	12,086,450
- Impaired past due exposures	94,869	185,482	-	52,643	-	12,407	-	93,929	-	-	226,658
Exposures to assigned debtors	**12,540,271**	**2,959,223**	**-**	**303,574**	**-**	**1,576,142**	**-**	**302,889**	**2,607,142**	**-**	**11,316,895**
- Non-performing exposures	7,371,149	1,118,214	-	297,576	-	1,140,553	-	5,313	2,194,976	-	5,446,097
- Unlikely to pay exposures	5,157,373	1,837,752	-	5,313	-	435,589	-	297,576	412,166	-	5,855,107
- Impaired past due exposures	11,749	3,257	-	685	-	-	-	-	-	-	15,691
Collective impairment losses on other assets	**12,720,950**	**-**	**-**	**1,620,072**	**-**	**3,186,511**	**-**	**239,347**	**24,649**	**-**	**10,890,515**
- Exposures to assignors	12,055,335	-	-	1,620,072	-	2,604,667	-	238,662	24,649	-	10,807,429
- Exposures to assigned debtors	665,615	-	-	-	-	581,844	-	685	-	-	83,086
Total	**68,033,381**	**12,344,497**	**-**	**3,849,586**	**-**	**9,249,965**	**-**	**3,849,586**	**13,742,965**	**-**	**57,384,948**

The next table shows changes in impairment losses (individual and collective) on exposures related to the assignment of loans and receivables that do not fall under the scope of Law no. 51/91 during the year and the opening and closing balances of the impairment losses. The impairment losses, calculated on exposures classified as impaired, are always shown as individual losses as per the relevant regulations.
Since 1 January 2015, impaired financial assets are categorised as non-performing, unlikely to pay or impaired past due exposures.

Financial assets are derecognised when the rights to receive the related cash flows are extinguished.

Voce		Variazioni in aumento				Variazioni in diminuzione					Closing impairment losses
	Opening impairment losses	Impairment losses	Losses on assignments	Transfers from another category	Other increases	Reversals of impairment losses	Gains on assignments	Transfers to another category	Derecognitions	Other decreases	
Individual impairment losses on impaired assets	**1,386,514**	**12**	**-**	**-**	**-**	**1,317**	**-**	**-**	**-**	**-**	**1,385,209**
- Non-performing exposures	1,121,439	12	-	-	-	81	-	-	-	-	1,121,370
- Unlikely to pay exposures	265,075	-	-	-	-	1,236	-	-	-	-	263,839
- Impaired past due exposures	-	-	-	-	-	-	-	-	-	-	-
Collective impairment losses on other assets	**280,939**	**-**	**-**	**-**	**-**	**64,020**	**-**	**-**	**-**	**-**	**216,919**
- Exposures to assignors	280,939	-	-	-	-	64,020	-	-	-	-	216,919
Total	**1,667,453**	**12**	**-**	**-**	**-**	**65,337**	**-**	**-**	**-**	**-**	**1,602,128**

B.4 – Other information

B.4.1 – Turnover of assigned loans and receivables

	2015	2014
Transactions without recourse	**138,808,772**	**135,024,953**
- including: purchased for less than their nominal amount	-	1,000,000
Transactions with recourse	**9,147,817,745**	**9,189,557,031**
Total	**9,286,626,517**	**9,324,581,984**

The table shows the nominal amount of loans and receivables purchased during the year (turnover) in factoring transactions, split between without recourse transactions and with recourse/formal without recourse transactions.

The following table shows details of the turnover of “Other assignments”

		2015	2014
-	Without recourse	-	-
-	With recourse	37,671,956	15,189,706
		37,671,956	**15,189,706**

B.4.2 – Collection services

The company did not perform collection only services in 2015 and 2014.

B.4.3 – Nominal amount of contracts to purchase future loans and receivables

	31/12/2015	31/12/2014
- Contracts to purchase future loans and receivables during the year	258,781,107	299,046,631
- Loans and receivables at the reporting date	398,541,268	244,981,321

D. – Guarantees given and commitments

D.1 – Breakdown of guarantees given and commitments

	31/12/2015	31/12/2014
1) First demand 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 grant funds	**290,238,127**	**221,061,725**
a) Banks	-	-
i) certain use	-	-
ii) uncertain use	-	-
b) Financial institutions	-	-
i) certain use	-	-
ii) uncertain use	-	-
c) Customers	290,238,127	221,061,725
i) certain use	203,737	5,864,155
ii) uncertain use	290,034,390	215,197,570
5) Commitments underlying credit derivatives: protection sales	-	-
6) Assets pledged as collateral for third party obligations	-	-
7) Other irrevocable commitments	**-**	**-**
a) to issue guarantees	**-**	**-**
b) other	-	-
Total	**290,238,127**	**221,061,725**

The table shows the company's commitment to grant funds solely for "approved with recourse" (formal without recourse) transactions, i.e., the difference between the approved with recourse outstanding and the advances for approved with recourse transactions (shown under assets with the assignor).

The balance of €290,034,390 refers to irrevocable commitments to grant funds for uncertain use as the company's commitment to grant funds is optional; in this case, it is not certain whether and to what extent the funds will actually be granted.

D.2 – Financing recognised due to enforcement

None.

Section 3 *Risks and hedging policies*

3.1 – CREDIT RISKS

QUALITATIVE DISCLOSURE

1. General information

Credit risk is traditionally the main risk involved in factoring. Constant modifications in credit disbursement, management and monitoring processes, based on the different counterparties involved, allow the company to contain this type of risk.

Credit quality is checked by monitoring both the counterparty's (assignor and assigned debtor) specific risk and the portfolio risk.
With respect to specific credit risk, the company uses the current procedures to assess the individual party's (assignor and assigned debtor) risk profile and that of its related parties, calculating the total potential risk related to the financed parties.
In the case of portfolio risk, the company has always focused on concentration risk, which covers exposures to large economic and/or legal groups.
This analysis also includes positions shared with the parent, Banca Popolare di Sondrio S.c.p.a., for which it assess the total amount of outstanding exposures.

2. Credit risk management policies

2.1 Organisational aspects

Factorit's lending process complies with the *Credit regulations* issued by its board of directors, which are consistent with the parent's lending regulations, the reference model for the group companies. These latter regulations 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:
- lending policy;
- preliminary investigation;
- disbursement of credit;
- review of credit facilities and monitoring.

Lending policy

Like that of its parent, Factorit's lending policy is based on criteria of prudence and risk containment. This is reflected in a strict screening of the counterparties receiving credit facilities and the constant monitoring of the risk positions assumed.

Preliminary investigation

This phase aims to ascertain the applicant's current and prospective capacity to repay its debts and to verify the consistency between the individual applications for credit facilities and the credit policy adopted.
Specifically, the assessment defines the level of economic risk, considering the probability of default of the parties involved (assignor and assigned debtors) and the financial risk arising from their possible failure to repay the credit granted on the agreed repayment dates.

The credit process system consists of logical phases that can be broken down by the parties involved (assignor and assigned debtors) and the different decision-making powers. Specifically, the preliminary investigation phase is performed by the commercial department, by obtaining all the information needed to establish the economic and financial position of the parties involved. For cross-checking purposes, the assessment stage is carried out by the credit department to define the amount of the credit facility and the transaction's feasibility.

Disbursement of credit

This phase comprises a number of activities to allow the company to take a decision about whether to assume a credit risk by granting a credit facility based on the results of the preliminary assessment after assessing the transaction's inherent risk.
The credit facility is granted considering all the direct and indirect, short, medium or long-term exposures with Banca Popolare di Sondrio Group and whether they are secured by guarantees.
Membership of a legal or economic group, as defined by Banca Popolare di Sondrio Group, is an additional risk factor to that arising from the position considered individually, which has to be assessed with due care.

The credit facilities are activated and made available to the borrower only after approval and according to the decision-making powers established by the board of directors in the *Credit regulations*, which may also require a preliminary opinion from the parent as well. The credit department checks that the credit facility complies with the board of directors' resolution and, before finalising the agreement, that all the necessary contractual documentation has been collected, the guarantees obtained and that the exposure resulting from assumption of the risk does not exceed the maximum limits that the supervisory regulations sets from time to time for individual customers or groups of related customers.

Review of credit facilities and monitoring

Credit positions are classified in the various risk categories provided for by the company and in accordance with the general provisions of the supervisory regulations.
These categories, which are based on the different irregularities that may arise, allow the classification of positions in order of increasing seriousness of the irregularities. These classifications are assigned automatically when objective or subjective events take place, as decided by management and the bodies in charge of risk monitoring and control on a uniform basis for the entire portfolio.

Checks of the performance of credit facilities consist of their monitoring and review.
The company uses, inter alia, percentage rates based on the type of transaction and the customer's exposure, as well as the opinion or reports from the departments responsible for managing the relationship with the assignor or the debtor.

2.2 Management, measurement and control systems

Generally speaking, the credit disbursement processes are automated for small amounts while they are discretionary and centralised at the head office for risk assessments of assignors and larger amounts.
Moreover, the parent takes on a coordination role and prepares mandatory opinions for credit facility applications that exceed the established limits.

2.3. Credit risk mitigation techniques

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

With respect to without recourse transactions, many mitigation clauses can be implemented, including:

- limiting the credit risk assumed for each debtor;
- obtaining direct guarantees or collateral;
- applying ceilings;
- limiting the risk in relation to the volume of assets brokered and the profitability of the relationship (maximum annual ceiling);
- assignor's assignment obligations;
- insuring the receivable.

2.4 Impaired financial assets

The technical and organisational procedures used to manage and monitor irregular assets depend on how irregular the position is.

In the case of default, the company monitors its relationship with the debtor and related default trends, in order to:

- check whether the counterparty's financial/business difficulties can be reversed;
- assess the repayment schedules presented, considering the debtor's capacity to pay the amounts due within the timeframe set in the schedules, also considering the requests to ease the conditions applied to the positions in question;
- examine the outcome of the measures taken to normalise/recover the loans and receivables (repayment schedules, reviews of the technical forms of credit, etc.) and the reasons for their possible failure;
- calculate the related expected losses analytically, considering the reference economic and financial context.

With respect to doubtful debts, risks are controlled through the following procedures:

- send reminders urging settlement for new positions;
- appointment of debt collection companies if necessary;
- assignment of new positons to third party legal advisors to file legal actions against the assigned debtors, assignors and any guarantors;
- in the case of positions that are being settled, check that the counterparties have honoured their commitments;
- regular checks of the correctness of the classification and analytical estimate of expected losses on the various positions.

The classification of positions is in line with the requirements of supervisory and internal regulations, which also set out the general guidelines for the analytical estimate of expected losses.

QUANTITATIVE DISCLOSURE

A.1 Breakdown of credit exposures by portfolio and credit quality (carrying amount)

	Non-performing exposures		Unlikely to pay exposures		Impaired past due exposures		Unpaired past due exposures		Other assets		Total
	Total	Including: forborne exposures	Total	Including: forborne exposures	Total	Including: forborne exposures	Total	Including: forborne exposures	Total	Including: forborne exposures	
1. Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-
2. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	-	-	-	91,186	-	10,541,860	-	10,633,046
4. Loans and receivables with financial institutions	-	-	28,030	-	-	-	-	-	60,351,824	-	60,379,854
5. Loans and receivables with customers	1,814,530	-	24,359,314	7,012,098	2,471,185	-	212,670,870	-	1,284,030,446	-	1,525,346,345
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2015	**1,814,530**	**-**	**24,387,344**	**7,012,098**	**2,471,185**	**-**	**212,762,056**	**-**	**1,354,924,130**	**-**	**1,596,359,245**
Total 31/12/2014	**2,643,136**	**-**	**23,830,642**	**-**	**610,839**	**-**	**196,828,938**	**-**	**1,481,429,880**	**-**	**1,705,343,435**

	Assets with poor credit quality	Other assets	Total
1.Financial assets held for trading	-	-	-
2.Hedging derivatives	-	-	-
31/12/2015	**-**	**-**	**-**
31/12/2014	**-**	**-**	**-**

Since 1 January 2015, financial assets are classified as non-performing, unlikely to pay or impaired past due exposures.
Restructured exposures at 31 December 2014 have all been classified as unlikely to pay.

2. Credit exposures

2.1 Loans and receivables with customers: gross amounts and carrying amounts

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Performing			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing exposures	225,114	178,491	743,971	30,612,220	-	29,945,266	-	1,814,530
- Including: forborne exposures	5,672	-	-	5,672	-	5,672	-	-
b) Unlikely to pay exposures	26,943,865	6,049,697	2,284,241	14,960,604	-	25,879,093	-	24,359,314
- Including: forborne exposures	17,281,351	73,349	257,309	429,370	-	11,029,281	-	7,012,098
c) Impaired past due exposures	926,606	897,052	550,484	341,556	-	244,513	-	2,471,185
- Including: forborne exposures	-	-	-	-	-	-	-	-
d) Unpaired past due exposures	-	-	-	-	214,074,213		1,403,343	212,670,870
- held for trading					-	-	-	-
- Other	-	-	-	-	214,074,213		1,403,343	212,670,870
- including: forborne exposures	-	-	-	-	-	-	-	-
e) Other assets	-	-	-	-	1,293,570,001	-	9,539,555	1,284,030,446
- Held for trading	-	-	-	-	-	-	-	-
- Other	-	-	-	-	1,293,570,001	-	9,539,555	1,284,030,446
TOTAL A	**28,095,585**	**7,125,240**	**3,578,696**	**45,914,380**	**1,507,644,214**	**56,068,872**	**10,942,898**	**1,525,346,345**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	531,974	-	-	-	-	328,237	-	203,737
b) Other	-	-	-	-	290,034,390	-	-	290,034,390
- Derivatives	-	-	-	-	-	-	-	-
- Other	-	-	-	-	290,034,390	-	-	290,034,390
TOTAL B	**531,974**				**290,034,390**	**328,237**	**-**	**290,238,127**
TOTAL A+B	**28,627,559**	**7,125,240**	**3,578,696**	**45,914,380**	**1,797,678,604**	**56,397,109**	**10,942,898**	**1,815,584,472**

The caption "Unimpaired past due exposures" comprises:

	Gross amount	Individual impairment	Collective impairment	Carrying exposure
- up to 3 months	208,679,562	-	1,360,840	207,318,722
- from 3 to 6 months	3,346,891	-	28,972	3,317,919
- from 6 months to 1 year	1,357,527	-	10,758	1,346,769
- after 1 year	690,233	-	2,773	687,460
Total	**214,074,213**	**-**	**1,403,343**	**212,670,870**

2.2 Loans and receivables with banks and financial institutions: gross amounts and carrying amounts

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Performing			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing exposures	-	-	-	-	-	-	-	-
- Including: forborne exposures	-	-	-	-	-	-	-	-
b) Unlikely to pay exposures	-	-	6,451	291,264	-	269,685	-	28,030
- Including: forborne exposures	-	-	-	-	-	-	-	-
c) Impaired past due exposures	-	-	-	-	-	-	-	-
- Including: forborne exposures	-	-	-	-	-	-	-	-
d) Unimpaired past due exposures	-	-	-	-	91,383	-	197	91,186
- Held for trading	-	-	-	-	-	-	-	-
- Other	-	-	-	-	91,383	-	197	91,186
- Including: forborne exposures	-	-	-	-	-	-	-	-
e) Other assets	-	-	-	-	71,326,506	-	432,822	70,893,684
- Held for trading	-	-	-	-	-	-	-	-
- Other	-	-	-	-	71,326,506	-	432,822	70,893,684
TOTAL A	**-**	**-**	**6,451**	**291,264**	**71,417,889**	**269,685**	**433,019**	**71,012,900**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-
- Derivatives	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**-**	**-**	**6,451**	**291,264**	**71,417,889**	**269,685**	**433,019**	**71,012,900**

The caption "Unimpaired past due exposures" comprises:

	Gross amount	Individual impairment	Collective impairment	Carrying amount
- up to 3 months	91,383	-	197	91,186
- from 3 to 6 months	-	-	-	-
- from 6 months to 1 year	-	-	-	-
- after 1 year	-	-	-	-
Total	**91,383**	**-**	**197**	**91,186**

2.3 Classification of exposures using external and internal ratings

2.3.1 Breakdown of credit exposure on and off-statement of financial position by external rating classes

	External rating class						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-statement of financial position	-	8,050,531	-	-	-	-	1,588,308,714	**1,596,359,245**
B. Derivatives	-	-	-	-	-	-	-	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	**-**
B.2 Credit derivatives	-	-	-	-	-	-	-	**-**
C. Guarantees given	-	-	-	-	-	-	-	**-**
D. Commitments to grant funds	-	46,310,376	-	-	-	-	243,927,751	**290,238,127**
E. Other	-	-	-	-	-	-	-	**-**
Total	-	**54,360,907**	**-**	**-**	**-**	**-**	**1,832,236,465**	**1,886,597,372**

The company uses the ratings of DBRS Ratings Limited for its exposures with central administrations and central banks.

	Rating class	Rating	Rating Italy at 31/12/2015
DBRS	2	Da AH a AL	AL

3. Credit concentration

3.1 Breakdown of credit exposures on and off-statement of financial position by the counterparty's business segment

This table only refers to "customers".

	Government and central banks			Other government agencies			Insurance companies			Non-financial companies			Other		
	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment	Net exposure	Individual impairment	Collective impairment
A. On-statement of financial position															
A.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	1,814,530	29,945,266	X	-	-	X
A.2 Unlikely to pay exposures	8,050,531	4,649,469	X	-	21,623	X	-	-	X	15,585,924	20,960,707	X	722,859	247,294	X
A.3 Impaired past due exposures	-	-	X	124,512	12,313	X	-	-	X	2,346,673	232,200	X	-	-	X
A.4 Other exposures	-	X	-	71,417	X	24,306	-	X	-	1,495,108,181	X	10,887,905	1,521,718	X	30,490
Total A	**8,050,531**	**4,649,469**	**-**	**195,929**	**33,936**	**24,306**	**-**	**-**	**-**	**1,514,855,308**	**51,138,173**	**10,887,905**	**2,244,577**	**247,294**	**30,490**
B. Off-statement of financial position															
B.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	22,475	X	-	-	X
B.2 Unlikely to pay exposures	-	-	X	-	-	X	-	-	X	203,737	305,762	X	-	-	X
B.3 Impaired past due exposures	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Other exposures	46,310,376	-	X	130,729	-	X	-	-	X	243,484,968	-	X	108,317	-	X
Total B	**46,310,376**	**-**	**-**	**130,729**	**-**	**-**	**-**	**-**	**-**	**243,688,705**	**328,237**	**-**	**108,317**	**-**	**-**
Total 31/12/2015	**54,360,907**	**4,649,469**	**-**	**326,658**	**33,936**	**24,306**	**-**	**-**	**-**	**1,758,544,013**	**51,466,410**	**10,887,905**	**2,352,894**	**247,294**	**30,490**
Total 31/12/2014	**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**

3.2 Breakdown of credit exposures on and off-statement of financial position by the counterparty's geographical segment

This table only refers to "customers".

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-statement of financial position										
A.1 Non-performing exposures	1,814,530	29,627,075	-	318,191	-	-	-	-	-	-
A.2 Unlikely to pay exposures	24,359,314	25,879,093	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	2,469,450	244,341	1,735	172	-	-	-	-	-	-
A.4 Other exposures	1,323,664,690	10,277,421	173,034,634	665,262	1,992	18	-	-	-	-
Total A	**1,352,307,984**	**66,027,930**	**173,036,369**	**983,625**	**1,992**	**18**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	22,475	-	-	-	-	-	-	-	-
B.2 Unlikely to pay exposures	202,113	303,326	1,624	2,436	-	-	-	-	-	-
B.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	234,855,562	-	52,483,039	-	715,676	-	1,963,930	-	16,183	-
Total B	**235,057,675**	**325,801**	**52,484,663**	**2,436**	**715,676**	**-**	**1,963,930**	**-**	**16,183**	**-**
Total 31/12/2015	**1,587,365,659**	**66,353,731**	**225,521,032**	**986,061**	**717,668**	**18**	**1,963,930**	**-**	**16,183**	**-**
Total 31/12/2014	**1,530,126,537**	**76,354,272**	**215,466,855**	**820,124**	**925,223**	**3,306**	**39,417,894**	**81,135**	**7,975**	**-**

Specifically, net loans and receivables with customers resident in the Americas may be analysed by geographical segment as follows:

- Mexico (1,978, impairment losses of 18) and the USA (14) for on-statement of financial position exposures;
- USA (690,943), Canada (3,957), Peru (16), Colombia (15,014) and Puerto Rico (5,746) for off-statement of financial position exposures.

3.2.1 Breakdown of loans and receivables with customers by geographical segment (Italy, on-statement of financial position)

31/12/2015	North west		North east		Centre		South		Islands	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
Non-performing exposures	393,524	10,058,547	493,179	3,602,331	122,354	2,520,111	598,332	12,303,649	207,141	1,142,437
Unlikely to pay exposures	12,485,125	8,475,636	68,116	1,200,374	9,196,421	14,143,350	2,350,512	1,761,283	259,140	298,450
Impaired past due exposures	280,714	27,773	1,999,848	197,787	60,304	5,964	124,567	12,420	4,017	397
Other transactions	801,440,611	5,837,277	211,430,583	1,790,827	201,503,184	1,735,210	41,530,346	333,344	67,759,966	580,763
Total	**814,599,974**	**24,399,233**	**213,991,726**	**6,791,319**	**210,882,263**	**18,404,635**	**44,603,757**	**14,410,696**	**68,230,264**	**2,022,047**

3.3 Large exposures

	31/12/2015	31/12/2014
a) Carrying amount	794,010,293	716,578,117
b) Weighted amount	591,945,714	440,370,763
c) Number	14	10

Pursuant to the regulatory provisions, the table shows the total amount and number of counterparties with risk positions that exceed 10% of the regulatory capital.
Risks for individual customers are considered jointly when there are legal and/or economic connections between them.
The “Weighted amount” is the sum of the on- and off-statement of financial position exposures with a customer, weighted according to the supervisory rules and considering the counterparty’s nature and any guarantees given.

4. Models and other methods to measure and manage credit risk

The company has factoring management software that enables daily monitoring of large exposures using estimated values.

5. Other quantitative disclosure

The total amount of large exposures is well below the global limit of eight times the regulatory capital.
As it belongs to a banking group subject to consolidated supervisory regulations, the company must comply with an individual limit for each “large exposure”, equal to 40% of its regulatory capital.
At 31 December 2015, no counterparties exceeded this limit as the parent issued sureties to cover the excess of the individual limit for the two large exposures with major groups.

3.2 – MARKET RISK

As the company does not have any assets in its trading portfolio, it is not exposed to market risk.
Therefore, it is only subject to interest rate risk on assets in its banking book and marginally to currency risk.

3.2.1 Interest rate risk

QUALITATIVE DISCLOSURE

A. – General aspects, management and measurement of liquidity risk

A.1. – General information

The company manages its market risks in line with the parent's regulations.

The parent manages and controls interest rate risk using the internal asset & liability management (ALM) model which processes the data that Factorit provides daily and makes the related operating decisions.
Interest rate risk is caused by differences, in timing and methods, in repricing interest rates of assets and liabilities. The existence of diversified fluctuations in interest rates in general causes both a change in the expected interest income or expense and a change in the fair value of assets and liabilities, and thus a change in the carrying amount of the captions at risk.

The characteristics of the company's assets and liabilities significantly diminish the impact of a change in market rates on the fair value of assets and liabilities.
The fast turnover of loans and receivables and the presence of exclusive short-term funding, ensuring frequent, closely spaced repricing, make it possible to keep lending and funding conditions aligned to market situations as they arise.

A.2. – MODELS AND OTHER METHODS TO MEASURE AND MANAGE INTEREST RATE RISK

With respect to interest-bearing assets and liabilities, a 100 bp increase in interest rates over twelve months would lead to an increase of €2.3 million in the future interest income.
The future interest income is the difference between future interest income on interest-bearing assets and the future interest expense on interest-bearing liabilities calculated solely on transactions existing at the reporting date.
The effects of a 100 bp decrease in interest rates over twelve months would be a decrease of roughly €0.1 million in the future interest income.

A.3. – OTHER QUANTITATIVE DISCLOSURES ABOUT INTEREST RATE RISK

Assuming a sudden 200 bp increase or decrease in interest rates, the change in the company's assets would be below the warning threshold provided for in the regulatory provisions (20% of regulatory capital).

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual maturity (repricing date) - Currency: EURO

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**286,159,294**	**1,170,601,850**	**16,599,261**	**9,086,646**	**13,933,533**	**292,951**	**-**	**9,642,171**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	286,159,294	1,170,572,958	16,599,261	9,086,646	13,933,533	292,951	-	-
1.3 Other assets	-	28,892	-	-	-	-	-	9,642,171
2. Liabilities	**45,371,348**	**1,245,519,519**	**-**	**-**	**-**	**-**	**-**	**20,439,317**
2.1 Financial liabilities	45,371,348	1,245,519,519	-	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-		-	-	-	-	-	20,439,317
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

2. Breakdown of financial assets and liabilities by residual maturity (repricing date) - Currency: US dollar

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**447,541**	**49,493,431**	**18,432,204**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	447,541	49,493,431	18,432,204	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**45,677**	**49,679,385**	**18,591,308**	**-**				**4,439**
2.1 Financial liabilities	45,677	49,679,385	18,591,308	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	4,439
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

3. Breakdown of financial assets and liabilities by residual maturity (repricing date) - Currency: Swiss franc

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**87,131**	**30,572,250**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	87,131	30,572,250	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**4,991**	**30,842,492**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Financial liabilities	4,991	30,842,492	-	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

4. Breakdown of financial assets and liabilities by residual maturity (repricing date) - Currency: OTHER

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**381,463**	**300,582**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	381,463	300,582	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**198,959**	**303,238**	**-**	**-**	**-**	**-**	**-**	**152,135**
2.1 Financial liabilities	198,959	303,238	-	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	152,135
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 DISCLOSURE

1. General information

The company is not exposed to price risks.

3.2.3 Currency risk

QUALITATIVE DISCLOSURE

1. General information

The company is marginally exposed to currency risk as it systematically hedges foreign currency items. This risk mainly exists for the following, although the volumes are limited:

- charges and interest income that is not offset by interest expense in currencies other than the Euro;
- foreign currency guarantees for transactions in Euros.

The company does not use internal measurement models but monitors its exposure to currency risk and reports on it once a quarter in accordance with the regulatory methods.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
1. Financial assets	**68,373,176**	**653,947**	**18**	**-**	**30,659,381**	**28,080**
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Loans and receivables	68,373,176	653,947	18	-	30,659,381	28,080
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-
3. Financial liabilities	**68,316,370**	**502,197**	**-**	**-**	**30,847,483**	**-**
3.1 Loans and borrowings	68,316,370	502,197	-	-	30,847,483	-
3.2 Debt instruments	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**4,439**	**125,783**	**-**	**-**	**-**	**26,352**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**68,373,176**	**653,947**	**18**	**-**	**30,659,381**	**28,080**
Total liabilities	**68,320,809**	**627,980**	**-**	**-**	**30,847,483**	**26,352**
Difference (+/-)	**52,367**	**25,967**	**18**	**-**	**-188,102**	**1,728**

3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of operational risk

The parent supervises the operational risk management process by checking compliance with the reference regulations and the application of strategic guidelines.
Factorit participates in the parent's more general process of operational risk measurement and has adopted its methods. It also contributes to collecting data on the Group's operating losses. It uses the basic method (BIA - basic indicator approach) to estimate the capital requirement to cover exposure to operational risks.

The risk is reported in two ways:

- firstly, in terms of the losses incurred, for which information about the losses is collected;
- secondly, the potential risk to the company.

The data collection and recording system is useful for benchmarking analyses with the operating loss database organised by ABI (the Italian Bankers Association).
Factorit also participates in Project GRIFO, an association initiative to build a consortium database of operational events and losses in factoring activities.
The operating risk database is housed on a web platform that acts as the operational instrument to manage the risks at company level (for recording and ongoing use) and association level.

In order to guarantee standard, quality data, the company links the classification of losses to the loss event type map developed by the supervisory bodies. By monitoring losses, it is able to promptly identify the actions to be taken to mitigate operational losses.

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Bank of Italy has defined liquidity risk as the risk that a company is unable to meet its payment obligations or to fund its assets on a timely basis due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk).

Based on the above, the company contains risks and prudently aims to maintain a balance between the maturity dates of assets and liabilities while pursuing improved 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 held with the parent and Banca Popolare di Milan Group, the second largest shareholder.
This circumstance makes it possible to state that liquidity risk is marginal.

However, the company's real liquidity risk is tied to the liquidity risk of its parent, whose adoption of specific guidelines is appreciable. They cover the concentration of funding with retail customers, who are thus very diversified, and in the interbank system, where there is a very high level of confidence in the bank.

QUANTITATIVE DISCLOSURE

The following tables have been prepared pursuant to the supervisory instructions issued by Bank of Italy. In particular, non-discounted cash flows are recorded in the relevant residual maturity brackets excluding all collective impairment losses.

1. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Open term
Assets	**150,506,766**	**83,708,276**	**150,453,355**	**240,197,759**	**646,055,849**	**90,881,298**	**31,890,961**	**67,705,964**	**13,773,457**	**34,563,087**	**10,702,171**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	150,506,766	83,679,384	150,453,355	240,197,759	646,055,849	90,881,298	31,890,961	67,705,964	13,773,457	34,563,087	-
A.4 Other assets	-	28,892	-	-	-	-	-	-	-	-	10,702,171
Liabilities	**45,338,974**	**211,755,989**	**906,928,024**	**73,701,961**	**55,045,541**	**-**	**18,559,695**	**-**	**-**	**-**	**-**
B.1 Due to	45,338,974	211,755,989	906,928,024	71,822,339	55,045,541	-	-	-	-	-	-
- Banks	41,951,592	211,755,989	906,928,024	71,812,195	55,021,569	-	-	-	-	-	-
- Financial institutions	342,302	-	-	-	-	-	-	-	-	-	-
- Customers	3,045,080	-	-	10,144	23,972	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	1,879,622	-	-	18,559,695	-	-	-	-
Off-statement of financial position transactions	**27,783,801**	**16,151,935**	**20,893,534**	**49,166,102**	**115,818,616**	**41,270,921**	**13,583,406**	**549,889**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Financing to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	27,783,801	16,151,935	20,893,534	49,166,102	115,818,616	41,270,921	13,583,406	549,889	-	-	-
- Long positions									-	-	-
- Short positions	27,783,801	16,151,935	20,893,534	49,166,102	115,818,616	41,270,921	13,583,406	549,889	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

With respect to the liabilities, deposits with banks include €904,112,777 with the parent and €237,864,268 with Banca Popolare di Milano Group (the second largest shareholder).

2. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: US dollar

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Open term
Assets	**449,847**	**-**	**12,722,102**	**-**	**36,947,580**	**18,591,307**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	449,847	-	12,722,102	-	36,947,580	18,591,307	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**45,677**	**-**	**12,731,804**	**-**	**36,947,581**	**18,591,308**	**4,439**	-	-	-	-
B.1 Due to	45,677	-	12,731,804	-	36,947,581	18,591,308	-	-	-	-	-
- Banks	45,677	-	12,731,804	-	36,947,581	18,591,308	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	4,439	-	-	-	-
Off-statement of financial position transactions	**97,837**	**-**	**-**	**55,191**	**420,372**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Financing to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	97,837	-	-	55,191	420,372	-	-	-	-	-	-
- Long positions							-	-	-	-	-
- Short positions	97,837	-	-	55,191	420,372	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

3. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: Swiss franc

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Open term
Assets	**87,901**	**-**		**16,285,236**	**14,557,256**	**-**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	87,901	-		16,285,236	14,557,256	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**4,991**	**-**	**-**	**16,285,236**	**14,557,256**	**-**	**-**	-	-	-	-
B.1 Due to	4,991	-	-	16,285,236	14,557,256	-	-	-	-	-	-
- Banks	4,991	-	-	16,285,236	14,557,256	-	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-		-	-	-	-
Off-statement of financial position transactions	**-**	**-**	**-**	**46,425**	**41,476**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Financing to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	-	-	-	46,425	41,476	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	46,425	41,476	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

4. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: OTHER

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	After 5 years	Open term
Assets	**382,440**	-	-	-	**303,239**	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	382,440	-	-	-	303,239	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**198,862**	**-**	-	**-**	**303,335**	-	**152,135**	-	-	-	-
B.1 Due to	198,862	-	-	-	303,335	-	-	-	-	-	-
- Banks	198,862	-	-	-	303,335	-	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	152,135	-	-	-	-
Off-statement of financial position transactions	**1,431,138**	**369,497**	**366,788**	**670,769**	**1,520,430**	**-**		-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Financing to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	1,431,138	369,497	366,788	670,769	1,520,430	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	1,431,138	369,497	366,788	670,769	1,520,430	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Section 4 *Equity*

4.1 Equity

4.1.1 Qualitative disclosure

The company's equity is considered adequate to cover existing and future risks.
This is also due to a prudent dividend distribution policy which has allowed the company to allocate €87.9 million to the reserves in the last eight years.

		(€m)		
2007-2011	**2012**	**2013**	**2014**	**Totale**
54.9	8.0	11.0	14.0	87.9

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

	2015	2014
1. Share capital	**85,000,002**	**85,000,002**
2. Share premium	**11,030,364**	**11,030,364**
3. Reserves	**102,670,876**	**87,355,759**
- income-related	-	-
a) legal	9,835,395	8,559,639
b) statutory	-	-
c) treasury shares	-	-
d) other	87,881,771	73,842,410
- other	4,953,710	4,953,710
4. (Treasury shares)	**-**	**-**
5. Valuation reserves:	**-175,138**	**-176,743**
- Available-for-sale financial assets	-	-
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Exchange rate gains (losses)	-	-
- Non-current assets held for sale and disposal groups	-	-
- Special revaluation laws	-	-
- Net actuarial losses on defined benefit pension plans	-175,138	-176,743
- Portion of revaluation reserves of equity-accounted investees	-	-
6. Equity instruments	**-**	**-**
7. Profit for the year	**20,759,673**	**25,515,117**
Total	**219,285,777**	**208,724,499**

4.2. Own funds and regulatory ratios

4.2.1 Own funds

4.2.1.1 Qualitative disclosure

The supervisory body uses the regulatory capital to assess the company's stability and that of the system.
Regulatory capital is subject to the most important prudential controls, such as the requirements to meet risks and risk concentration rules.
At the reporting date, the company's regulatory capital solely consisted of Common Equity Tier 1 capital, which can be used without limitation for the calculation.

4.2.1.2 Quantitative disclosure

	2015	2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	211,125,779	198,524,501
B. CET1 prudential filters	-	-
B.1 Positive IFRS prudential filters (+)	-	-
B.2 Negative IFRS prudential filters (-)	-	-
C. CET1 including the elements to be deducted (A+B)	-	-
D. Elements to be deducted from CET1	-118,658	-149,618
E. Total Common Equity Tier 1 (C-D)	211,007,121	198,374,883
F. Tier 2 capital (T2) before application of prudential filters	-	-
G. T2 prudential filters	-	-
G.1 Positive IFRS prudential filters (+)	-	-
G.2 Negative IFRS prudential filters (-)	-	-
H. Tier 2 including the elements to be deducted (F+G)	-	-
I. Elements to be deducted from T2	-	-
L. Total Tier 2 (H-I)	-	-
M. Elements to be deducted from CET1 and T2	-	-
N. Regulatory capital (E + L - M)	211,007,121	198,374,883
O. Tier 3 (T3)	-	-
P. Regulatory capital including T3 (N + O)	**211,007,121**	**198,374,883**

The regulatory capital does not include profits which the company expects to distribute.

4.2.2 Capital adequacy

4.2.2.1 Qualitative disclosure

Suitable regulatory capital allows the company to comply with the individual solvency ratio. This requirement is the ratio between regulatory capital and the sum of the risk-weighted assets.

At the reporting date, the risks weighing the assets are credit, currency and operational risks.

The company has chosen to use the standard method for credit risk, which entails the breakdown of the loans and receivables portfolio into sub-groups, considering the counterparties and products, and applying different prudential treatments. The weighing ratios of the exposures are based, when available, on the rating assigned to each counterparty by specialised credit rating agencies.

Starting from the first quarter of 2013, the company has identified DBRS as the external credit assessment institution (ECAI) to be used to calculate the risk-weighted assets for exposures with central administrations, local authorities, non-profit associations, public sector bodies and supervised intermediaries. It has updated the ratings for countries within the required times. The company informed the change of ECAI to the supervisory body within the legal timeframe.

The individual ratio applicable to financial intermediaries included in the list as per article 107 of the Consolidated Banking Act that do not collect capital from the public is 6%.

With respect to operational risk, Factorit uses the basic method. Accordingly, it calculates its requirement using a regulatory ratio of 15% applied to a business operating volume indicator identified as the three-year average of total income.

As it belongs to a banking group that meets the consolidated equity requirements, the company benefits from a 25% reduction in its individual equity requirements.

4.2.2.2 Quantitative disclosure

	Unweighted amounts		Weighted amounts/requirements	
	2015	**2014**	**2015**	**2014**
A. EXPOSURES				
A.1 Credit and counterparty risk	-	-	-	-
1. Standardised method	3,690,879,026	3,867,930,183	1,482,882,652	1,466,832,835
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	-	-	**88,972,959**	**88,009,978**
B.2 Market risk	-	-	-	-
1. Standard method	-	-	-	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.3 Operational risk	-	-	-	-
1. Basic method	-	-	9,274,809	10,348,697
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.4 Other prudential requirements	-	-	**410,236**	-
B.5 Other calculation elements	-	-	**-24,664,501**	**-24,589,669**
B.6 Total prudential requirements (B.1 + B.2 + B.3 + B.4 +	-	-	**73,993,503**	**73,769,006**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets	-	-	1,233,225,296	1,229,729,330
C.2 CET1/ Risk-weighted assets (TIER 1 capital ratio)			17.11%	16.13%
C.3 Regulatory capital including TIER 3/Risk-weighted assets (Total capital ratio)			17.11%	16.13%

The weighted amount for credit and counterparty risk benefitted from the use of sureties issued by the parent on behalf of two major industrial groups (approximately €178 million).

The risk-weighted assets, shown in caption C.1, and also used to calculate the ratios in captions C.2 and C.3, are calculated as the sum of the total prudential requirement (B.6) and 16.67 (inverse of the minimum mandatory ratio of 6%).

Section 5 *Statement of comprehensive income*

	Gross amount	Income tax	Net amount
10. Profit for the year	30,119,305	(9,359,632)	20,759,673
Other comprehensive income that will not be reclassified to profit or loss	-	-	-
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	2,214	(609)	1,605
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves of equity-accounted investees	-	-	-
Other comprehensive income that will be reclassified to profit or loss	-	-	-
70. Hedges of investments in foreign operations:	-	-	-
a) fair value gains (losses)	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
80. Exchange rate gains (losses):	-	-	-
a) fair value gains (losses)	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	-	-	-
a) fair value gains (losses)	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
100. Available-for-sale financial assets:	-	-	-
a) fair value gains (losses)	-	-	-
b) reclassification to profit or loss	-	-	-
- impairment losses	-	-	-
- gains/losses on sales	-	-	-
c) other changes	-	-	-
110. Non-current assets held for sale:	-	-	-
a) fair value gains (losses)	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
120. Share of valuation reserves of equity-accounted investees:	-	-	-
a) fair value gains (losses)	-	-	-
b) reclassification to profit or loss	-	-	-
- impairment losses	-	-	-
- gains/losses on sales	-	-	-
c) other changes	-	-	-
130. Total other comprehensive income	2,214	(609)	1,605
140. Comprehensive income (captions 10+130)	**30,121,519**	**(9,360,241)**	**20,761,278**

Section 6 *Related party transactions*

6.1 Key management personnel's remuneration

Managers: remuneration of €442,926, including salaries of €328,810, bonuses and other incentives of €28,000, non-monetary benefits of €33,316 and fees for the position of managing director of €52,800.

6.2 Loans given to and guarantees given on behalf of directors and statutory auditors

See caption 110.a of the income statement.

6.3 Related party transactions

6.3.1. Transactions with Banca Popolare di Milano Group

Statement of financial position

	Loan assets	Financial liabilities	Other assets	Other liabilities
Banca Popolare di Milano S.c.a.r.l.	2,921,785	236,724,730	-	1,082,797
Banca Popolare di Mantova S.p.A.	1,145,194	-	-	56,741
Total	**4,066,979**	**236,724,730**	**-**	**1,139,538**

Income statement

	Interest income	Interest expense	Interest expense on active syndicate	Factoring commissions	Other fee and commission expense	Other expense
Banca Popolare di Milano S.c.a.r.l.	25	938,005	2,021,902	574,256	24,374	24,800
Banca Popolare di Mantova S.p.A.	60	69	19,640	56,741	279	-
Total	**85**	**938,074**	**2,041,542**	**630,997**	**24,653**	**24,800**

6.3.2. Transactions with the parent and associates

Loans and receivables with banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Ordinary current accounts - Euro	781,514
Ordinary current accounts - Foreign currency	201,719
Total	**983,233**

Due to banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Ordinary current accounts	5,475,576
Hot money	830,000,000
Foreign currency advances	67,368,362
Accrued foreign currency advances	43,328
Principal accounts	20,541
Commissions to be paid	1,201,699
Supplier invoices	3,271
Total	**904,112,777**

Costs – banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest expense	4,853,923
Fee and commission expense - expense	113,500
Fee and commission expense - factoring	1,201,699
Fee and commission expense - sureties	302,238
Lease expense	134,777
Service contracts	90,000
Directors' fees	12,800
Seconded personnel	89,808
Total	**6,798,745**

Revenue – banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest income - ordinary current accounts	2,766
Seconded personnel	106,898
Total	**109,664**

Costs – customers

Sinergia Seconda S.r.l.	Amount
Lease expense	1,194,316
Total	**1,194,316**

Pirovano Stelvio S.p.A.	Amount
Hotels and restaurants	394
Total	**394**

Section 7 Other disclosures

In accordance with the disclosure requirement of article 2497-*bis* of the Italian Civil Code, key figures of from the most recently approved financial statements of the bank that manages and coordinates the company are provided below.

STATEMENT OF FINANCIAL POSITION

	Assets	31/12/2014	31/12/2013
10.	Cash and cash equivalents	108,352,180	109,512,487
20.	Financial assets held for trading	2,341,476,201	3,167,660,707
30.	Financial assets at fair value through profit or loss	88,358,337	79,226,036
40.	Available-for-sale financial assets	6,496,843,763	3,373,245,002
50.	Held-to-maturity investments	148,620,141	182,620,516
60.	Loans and receivables with banks	1,591,500,904	1,481,714,447
70.	Loans and receivables with customers	20,535,826,086	20,843,577,225
80.	Hedging derivatives	-	-
90.	Adjustments to generically-hedged financial assets (+/-)	-	-
100.	Equity investments	411,565,806	411,739,750
110.	Property, equipment and investment property	159,370,059	155,622,700
120.	Intangible assets	11,917,167	11,676,361
	- including: goodwill		
130.	Tax assets	360,228,837	300,623,482
	a) current	8,105,885	28,625,878
	b) deferred	352,122,952	271,997,604
	b1) including: as per Law no. 214/2011	320,197,761	243,011,732
140.	Non-current assets held for sale and disposal groups	-	-
150.	Other assets	319,159,596	345,496,620
	Total assets	**32,573,219,077**	**30,462,715,333**

	Liabilities and equity	31/12/2014	31/12/2013
10.	Due to banks	2,305,353,629	3,692,634,209
20.	Due to customers	23,733,700,374	21,208,780,218
30.	Securities issued	3,290,923,515	2,850,637,840
40.	Financial liabilities held for trading	98,098,533	60,308,903
50.	Financial liabilities at fair value through profit or loss	-	-
60.	Hedging derivatives	-	-
70.	Adjustments to generically-hedged financial liabilities	-	-
80.	Tax liabilities	45,844,815	27,955,834
	a) current	-	-
	b) deferred	45,844,815	27,955,834
90.	Liabilities associated with disposal groups	-	-
100.	Other liabilities	679,296,184	668,480,929
110.	Post-employment benefits	42,441,900	38,264,866
120.	Provisions for risks and charges	156,141,205	141,885,236
	a) pension and similar provisions	117,042,900	100,538,997
	b) other provisions	39,098,305	41,346,239
130.	Valuation reserves	44,266,836	15,357,661
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	665,468,678	638,000,834
170.	Share premium	79,005,128	171,449,522
180.	Share capital	1,360,157,331	924,443,955
190.	Treasury shares (-)	-25,031,162	-24,316,346
200.	Profit for the year	97,552,111	48,831,672
	Total liabilities and equity	**32,573,219,077**	**30,462,715,333**

INCOME STATEMENT

	2014	2013
10. Interest and similar income	859,665,284	914,711,027
20. Interest and similar expense	-339,105,440	-426,561,240
30. Net interest income	**520,559,844**	**488,149,787**
40. Fee and commission income	257,984,748	240,711,245
50. Fee and commission expense	-15,747,499	-14,890,754
60. Net fee and commission income	**242,237,249**	**225,820,491**
70. Dividends and similar income	16,242,011	20,252,957
80. Net trading income	90,113,864	102,437,364
90. Net hedging income	-	-
100. Net gain from sales or repurchases of:	94,154,389	52,719,360
b) available-for-sale financial assets	95,504,969	52,518,082
c) held-to-maturity investments	-	54,712
d) financial liabilities	-1,350,580	146,566
110. Net gain on financial assets and liabilities at fair value through profit or loss	5,186,918	5,387,128
120. Total income	**968,494,275**	**894,767,087**
130. Net impairment losses on:	-473,560,652	-472,765,909
a) loans and receivables	-454,076,144	-446,093,551
b) available-for-sale financial assets	-19,307,623	-12,880,725
c) held-to-maturity investments	-	-
d) other financial transactions	-176,885	-13,791,633
140. Net financial income	**494,933,623**	**422,001,178**
150. Administrative expenses	-381,864,998	-365,619,305
a) personnel expense	-175,541,214	-170,317,050
b) other administrative expenses	-206,323,784	-195,302,255
160. Net accruals to provisions for risks and charges	3,455,337	2,556,469
170. Depreciation and net impairment losses on property, equipment and investment property	-12,750,956	-12,562,065
180. Amortisation and net impairment losses on intangible assets	-11,913,001	-10,908,158
190. Other operating income, net	70,782,043	69,174,944
200. Operating costs	**-332,291,575**	**-317,358,115**
210. Net losses on equity investments	-648,217	-6,569,735
220. Net fair value gains (losses) on property, equipment and investment property and	-	-
230. Impairment losses on goodwill	-	-
240. Net gain on the sale of investments	10,768	5,134
250. Pre-tax profit from continuing operations	**162,004,599**	**98,078,462**
260. Income taxes	-64,452,488	-49,246,790
270. Post-tax profit from continuing operations	**97,552,111**	**48,831,672**
280. Post-tax profit (loss) from discontinued operations	-	-
270. Profit for the year	**97,552,111**	**48,831,672**

Pursuant to article 149-duedecies of Consob's Issuer Regulation, the following table shows the fees for services provided by the following parties in 2015:

- the independent auditors for audit services.

	Service provider	2015 fees
Audit	KPMG S.p.A.	58,000
Half-year checks	KPMG S.p.A.	12,000
		(Euro)

The above fees do not include VAT or out-of-pocket expenses.

Report from the Board of Auditors to the Shareholders' Meeting

Dear Shareholders,

In carrying out our duties pursuant to the law, we have followed the rules of conduct recommended by the Italian National Council of Accountants and Tax Advisors. Therefore, in accordance with the law and the aforementioned rules, we have monitored compliance with the law, the bylaws, and proper standards of administration in the management of the Company, as well as the adequacy of the organizational structure and systems of internal control.

With regard to compliance with the law, the bylaws, and proper standards of administration, we note that during fiscal 2015, the Directors did not perform any transactions contrary to the provisions of law or the bylaws, nor did they perform any transactions which were manifestly imprudent or detrimental to the Company, or any atypical and/or unusual transactions. We also note that in terms of business management, the Directors and Management adhered to proper standards of administration and economic rationality. In this regard, we add that in operating terms, we did not note any conduct which diverges from or conflicts with decisions made by the Directors.

With regard to the meetings of company bodies held during 2015, we note that the Board of Auditors participated in the meeting of April 8, 2015 to approve the 2014 financial statements, in the extraordinary meeting of September 30, 2015 to review the Company Bylaws, and in all seven meetings of the Board of Directors. We can attest that all meetings of the Board of Directors, as well as said shareholders' meetings, were called and held in compliance with the applicable laws. We also note that the Board of Auditors met ten times during fiscal 2015.

In terms of our activity of supervising the adequacy of the organizational structure, we focused on constant monitoring of the organizational structure's ability to meet the company's operating needs, as well as the needs arising from membership in the Banca Popolare di Sondrio Banking Group. In this regard, we have not detected any problems worthy of note.

The activity of supervising the adequacy of the internal control systems was carried out primarily by maintaining relationships with the responsible structures of the company and the parent company, as well as with Unione Fiduciaria, which is responsible for the Conformity Function. We also note that following the entry into force of the 15th update of Banca d'Italia's Circular 263/06, we have also supervised the company's actions to comply with the new provisions on controlling risks. On this point, we confirm that actions are ongoing to bring the overall structure of the system of internal controls into compliance with these provisions and with the guidelines issued by the Parent Company.

Controls that regard the keeping of regular accounts and accurate reporting of operating events in the financial statements were performed by the auditing company KPMG SpA. This company has informed us that its auditing work did not reveal exceptions with regard to the financial statements, or any irregularities with regard to the organization and appropriateness of the accounting systems in terms of presenting an accurate picture of company affairs. We monitored the layout and formation of the financial statements, in particular with regard to the accounting standards adopted, whether the financial statements were consistent with company affairs during the fiscal year, and the completeness of the management report. We can therefore attest that the financial statements that the Directors have submitted for your approval were prepared in accordance with the specific provisions applicable to their formation and that they have been drawn up in application of the IAS/IFRS international accounting standards adopted by the European Union. The accounting format complies with the form requirements applicable to credit and financial entities.

With regard to the management report, 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 declare that the Board has received no negative reports from third parties or any complaints pursuant to Art. 2408 of the Italian Civil Code, and that your Company has performed no anomalous transactions with related or third parties.

In light of the above, and noting that the audit report released by KPMG SpA contains no irregularities regarding the financial statements, or any requests for information regarding what the Directors have analytically explained in the management report and the explanatory note, with regard to the matters within our competence, we express our opinion in favor of approving the financial statements for fiscal 2015 and the Directors' proposal for allocating net profit.

Finally, we remind you that the terms of office for all members of the Board of Directors and the Board of Auditors expire with this meeting. We therefore ask you to make new appointments to these bodies.

Milan, March 8, 2016

THE BOARD OF AUDITORS

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Pio Bersani

Mario Vitali

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

Independent auditors' report pursuant to 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.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Factorit S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended 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.

Other matters

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Factorit S.p.A. does not extend to such data.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the company's directors, with the separate financial statements at 31 December 2015. In our opinion, the directors' report is consistent with the separate financial statements of Factorit S.p.A. as at and for the year ended 31 December 2015.

Milan, 8 March 2016

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

TABLE OF CONTENTS