Factorit

GRUPPO Banca Popolare di Sondrio

Factorit

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016

GROUP Banca Popolare di Sondrio

Directors' Report and Financial Statements
As at and for the year ended 31 december 2016

Factorit
GRUPPO Banca Popolare di Sondrio

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
Vice Chairman	Mario Alberto Pedranzini
Managing director	Antonio De Martini
Directors	Fabio Bertarelli
	Nicolò Melzi di Cusano
	Ambrogio Pizzamiglio
	Lino Enrico Stoppani

Board of statutory auditors

Chairman	Luca Zoani
Standing statutory auditors	Pio Bersani
	Gianerminio Cantalupi
Alternate statutory auditors	Daniele Morelli
	Mario Vitali

Independent auditors

KPMG S.p.A.

SHAREHOLDERS

Banca Popolare di Sondrio S.c.p.a.	60,5%
Banco BPM S.p.A.	39,5%

BRANCHES

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

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

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Tel. 049 663370 - Fax 049 652827

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DIRECTORS' REPORT

Dear shareholders,

Before analysing the figures for 2016, we wish to inform you about the changes that affected the corporate structure of Factorit S.p.A..

As of 1 January 2017, after the issuing of authorizations by the competent authorities, Banco Popolare Soc. Coop. and Banca Popolare di Milano Scarl ceased to exist as a result of the “direct merger” by setting up a new banking company in the form of a joint stock company named Banco BPM S.p.A., with registered offices in Milan, Piazza Filippo Meda no. 4, Tax code, VAT no. and Milan company registration no. 09722490969, and administrative headquarters in Verona, piazza Nogara n. 2.

Pursuant to art. 2504-bis of Italian Civil Code, Banco BPM S.p.A. has assumed the rights and obligations of the two companies participating in the Merger, continuing in all their previous relationships.

As a result of the above Banco BPM S.p.A., from the date mentioned above, has become the holder of total no. 33,575,001 shares, worth 1 Euro each, of Factorit S.p.A., corresponding to 39.50% of the share capital, previously held by Banco Popolare Soc. Coop. (8,075,001 shares, corresponding to 9.50% of the share capital) and Banca Popolare di Milano Scarl (25,500,000 shares representing 30.00% of the share capital).

The 2016 financial statements was the thirty-eighth year of operations of the company, which recorded a profit of 3,229,386 Euro.

THE INTERNATIONAL SITUATION

2016 was characterized by uncertainty. Uncertainty due to the several geopolitical events which impacted negatively on world affairs, starting from the numerous conflicts, of which the Middle East ones are only a part, up to emergencies related to refugees and migratory phenomena, appeared out of control at times. Heinous acts of terrorism have taken steps to extend the Western world fears and anxieties. All this has been reflected in global economic dynamics.

A year of lack of shared visions among the major actors on the international scene and, more specifically, of Europe. The European Union, born on 25 March 1957 with the signing of the Treaties of Rome, celebrated its sixty years of life in one of the worst moments of its history. Dented by Brexit, it seems to have lost its sense of self, unable to find the reasons for its own existence. 2017 seems to be a year of transition; the problem is that many of the member countries do not appear to share the common goal to which they are addressed.

About the economic affairs, the world economy, albeit in a gradual growth, has highlighted a worrying stagnation in trades. Among the causes, the strengthening of Chinese domestic demand, which seems to have reduced the propensity of the Asian giant enterprises to export.

A second important element of weakness is represented by the reduced dynamic range of global investment which has affected both the most advanced and emerging countries.

Inflation has remained on a fairly low level in the United States - around 2% -, it was almost absent in Japan (0.5%) and reached 1% in the Eurozone. While the Federal Reserve boosted rates, albeit timidly, the ECB and the BOJ have continued in an expansive policy.

Growth in the United States has not led to the expected results. After a +2.5% in the previous year, 2016 closed with a GDP growth of +1.6%, only. Among the reasons, the reflective trend of domestic demand, due to the fall in investment and the slowdown in consumption. However, the situation regarding the employment of the workforce remained positive, with unemployment at around 4.7%. Prospects for the immediate future are linked to the choices that will be made by the new Administration, especially with regard to commercial policies, where possible restrictive measures are assumed.

China, perhaps destined to become less and less commercial partner and more and more antagonistic to the new US course, maintained its growth rate substantially stable (close to 7%), with an appreciable increase in domestic demand driven by the fiscal and monetary stimulus. According to many analysts, the risks associated with both the real estate bubble and the level of indebtedness of many companies remain.

India has given continuity to a sustained pace of GDP (more than 7%), while Brazil is still facing a severe recession, aggravated by the difficult political situation. Russia, whose prospects of returning to growth are more than ever linked to the performance of commodity prices, has benefited from the recovery in oil prices.

Japan has experienced a slowdown in the economic cycle, with GDP now close to 1%, attributable to the weakness of investment and consumption.

In spite of the negative outcomes linked to Brexit, the United Kingdom recorded an improvement of about 2.5%. Naturally, in the medium term, there are uncertainties about the possible consequences of leaving the European Union.

In the Eurozone, there was a consolidation of a process of moderate growth, with a final result estimated for the whole 2016 around 1.7%. The recovery in inflation, encouraged by persistent expansive monetary policies, was also largely linked to the rise in energy prices and has manifested itself quite unevenly in the various national economies, with Italy in the queue. Both consumer and business confidence indices showed a slight increase. The unemployment figure is still heavy.

The Swiss Confederation achieved a growth of 1.6% higher than expectations in 2016, mainly driven by domestic consumption. Growth, however, is offset by the strength of the Swiss franc, which is a source of export difficulties, down by about 1%, and has penalized, among other things, the watch industry. Unemployment is always within physiological limits, while the price index is still negative.

ITALY

After the stalled growth of 2015 (+0.6%), ISTAT certified, with a +0.9% for 2016, the gradual recovery in our country.

The improvement came from domestic demand, both in the private consumption component (+1.5%) and in public (+0.7%) and in investment (+2.1%). In addition, after 8 bouncing years, it is noted a return to investment in the construction sector.

The trade balance improved from 28 billion to 37 billion: deciding the lowest cost of energy imports (10 billion), facilitated by the drop in oil prices.

The labor market situation is still heavy, with youth unemployment reached 40%.

The deflation risk has gone down and at the end of the year the price increase was 0.5%, which, however, is disadvantageous in comparison with European data on almost twice as high: 1.1%.

The strategy to support growth decelerating the return of the ratio between the public budget deficit and gross domestic product, falling from 2.6% in 2015 to 2.4% in 2016, is confirmed in the 2017 financial plan, where, in spite of an upward trend of 1.6%, the government has set the ratio to 2.3%, which implies a mobilization of more resources for about 12 billion.

Public debt should have again burdened, moving to 132.8% of GDP compared to 132.3% in 2015.

The spread ranged from 97 to 160 basis points after approaching the 190. The performance of the spread was affected by negative external factors (the rise in yields triggered by the US elections) and positive (the shield of Quantitative Easing ECB).

Especially for Italy, margins of monetary policy are exhausted and those of fiscal policy remain very close, so it will be important to make progress on technological innovations and structural reforms, electoral and social situation permitting, in order to be able to raise a particularly low productivity.

FACTORING, THE DOMESTIC MARKET

The Italian factoring sector has returned to substantial growth in 2016. The data provided by Assifact, the Association of Italian Factoring Companies, shows that it is about 12% of national GDP and confirms the decisive role of factoring for the financial support to businesses and the return to the positive sign of the performance of the Italian economy.

The total business volume in 2016, in terms of turnover, rose 9.5% compared to 2015, with positive percentage increases also in terms outstanding, +6.2%, and advances and fees paid, +8.4%.

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

	2013	2014	2015	2016
Turnover	171,578,970	177,542,805	184,796,669	202,402,830
Outstanding	54,775,632	55,809,053	57,493,137	61,009,983
Advances	42,950,579	43,880,257	45,838,518	49,703,046
Advances/Outstanding	*78.4%*	*78.6%*	*79.7%*	*81.5%*

('000)

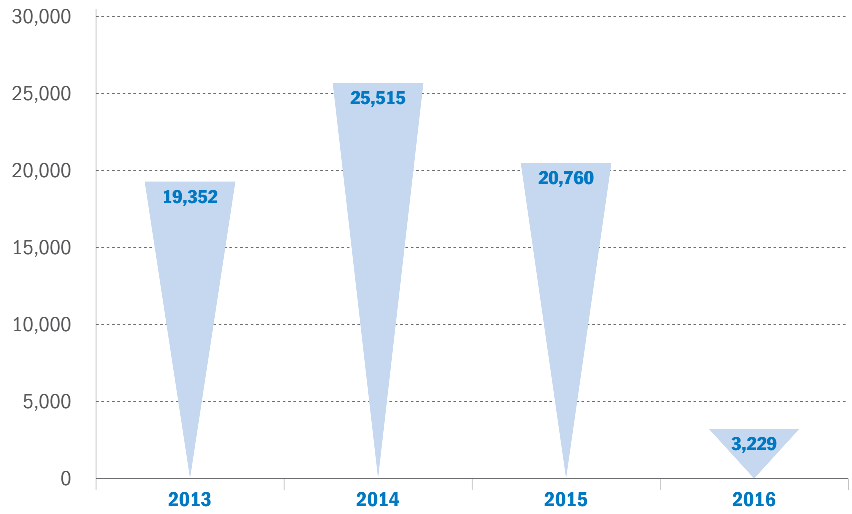
Based on the year-end information provided by Assifact, 51.6% of the Italian factoring companies are financial intermediaries pursuant to article 106 "Albo unico" (generating 54% of the turnover); the Banks account for 25.8% of the operators (39.5% of turnover) while the other intermediaries represent 22.6% (6.5% of turnover).
Loans and receivables assigned to the top 5 operators (which all belong to banking groups), one of which is Factorit, account for 71.2% of the market's total turnover.

COMPANY PERFORMANCE

Results

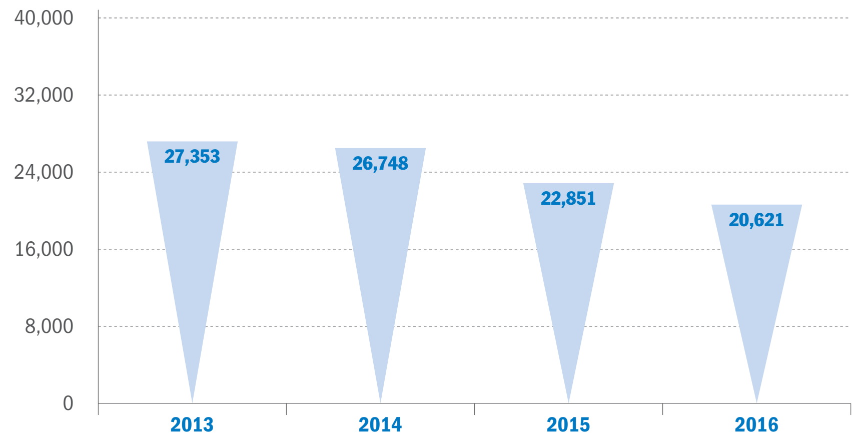
The company made a profit of €3.2 million for the year after recognising gross impairment losses on loans and receivable for €31.9 million and on other financial transactions for €0.1 million. The increase in adjustments was mainly due to the provisions relating to the position of a major German group / client, which had a total financial exposure of €27.6 million. Confirmed the liquidation nature of the bankruptcy proceedings established in Germany, the amounts set aside were transferred to the loss. Value repayments were €13.4 million on loans and €0.2 million on other financial transactions. Total net adjustments therefore amount to 18.4 million Euros.

Graph 1. Profit for the year ('000)

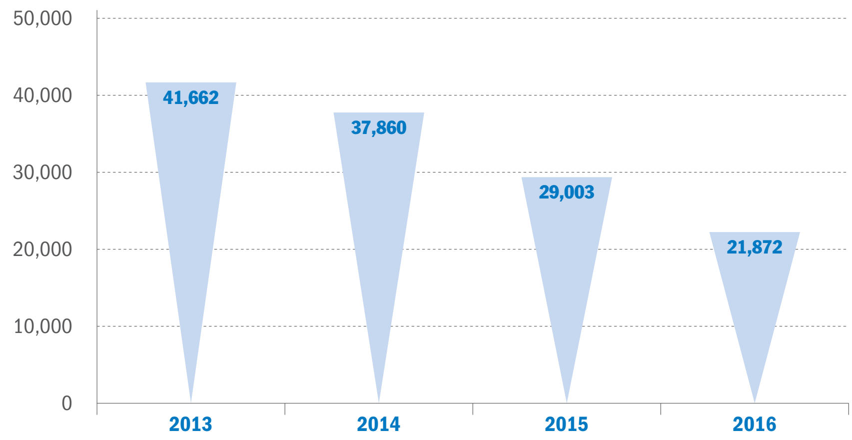


Total income amounted to €42.5 million, including financial income of €21.9 million and fee and commission income of €20.6 million, essentially in line with the previous year and the market trend.
Revenue from one-off fees and commissions on the assignment of loans and receivables are recognised over their term. Periodic and deferred fees and commissions are recognised when received on an accruals basis.

Graph 2. Fee and commission income ('000)



Graph 3. Net interest income (’000)



The substantial increase in net impairment losses to €18.4 million (€2.8 million in 2015), had a negative effect on the pre-tax profit of €3.9 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

	2015	2016
Net fee and commission income	22,851	20,621
Net interest income	29,003	21,872
Net trading income	18	-17
Total income	**51,872**	**42,476**
Total net cost of risks	**1,481**	**18,503**
Total net operating expenses	**20,272**	**20,172**
Operating	**30,119**	**3,802**

(€’000)

	2015	2016
Cost/Income	39.1%	47.5%
Roe	9.5%	1.5%
Net interest income/Total income	55.9%	51.5%
Revenue from services/Total income	44.1%	48.5%

Key events of the year

During its meetings in the year, the Board of Directors has consistently analyzed and evaluated the reports provided by the Corporate Governance concerning the company's business performance, the exposure of large sellers and large debtors, risk positions (classified between the non-performing and / or unlikely to pay) and the consistency of provisions made against them, as well as loans impairment. Quarterly, the Board of Directors also examined the company's financial situation as well as the documentation relating to the composition of the existing portfolio (aging, exposures over 25 million euros), the resolutions adopted on the Trusts and litigations, own funds, liquidity risk, and equity investments held in non-financial companies (associations participating in initiatives in the field of business in the cinematographic sector).

During the year, the Board of Directors also adopted, in accordance with the regulations issued by the Parent, appropriate internal rules for the proper and efficient management of the company. In accordance with the forecasts of the 15th update of the Bank of Italy circular no. 263 of December 27, 2006, the reports prepared by the Board of Directors (Compliance, Internal Audit, Risk Management) have also been brought to the attention of the Board, in addition to the Report of the Anti-Money Laundering Policy prepared pursuant to the Bank of Italy measure of 10 March 2011, art. 7.2, D. Lgs. n. 231/2007.

On 22 January 2016, the Board of Directors appointed Professor Roberto Ruozi as Chairman of the company, replacing Piero Melazzini, who died on November 30, 2015.

On 19 February 2016, the Board of Directors approved the draft financial statements for the year ended December 31, 2015, which showed a profit of €20.8 million, and the related profit allocation.

The Board convened the Ordinary Shareholders' Meeting for March 23, 2016. At the same meeting, the 2016-2018 Business Plan and the 2016 Budget were presented and approved.

On 23 March 2016, the ordinary shareholders' meeting met in Milan, via Cino del Duca 12, and discussed, among other things, the following items on the agenda:

- Presentation of the 2015 Financial Statements;
- Appointment of the Board of Directors for the three-year period 2016-2018;
- Appointment of the Board of Statutory Auditors for the three-year period 2016-2018.

The Board of Directors also verified the requirements of company representatives under DM n. 516 of 30 December 1998, and the absence of charges assumed or exercised by the Board of Directors and Board of Statutory

Auditors in companies or groups of competing companies, operating in the credit market, insurance and finance, pursuant to art. 36 of D.L. n. 201/2011 said "Salva Italia".
Dr. Mario Alberto Pedranzini was appointed Vice-President while Dr. Antonio De Martini was appointed Managing Director.

On 6 May 2016, the Board of Directors reviewed the interim Financial Statements as at 31 March 2016 while on 3 August 2016 reviewed the half-year Financial Statements as at 30 June 2016.

In May, the company's enrollment schedule was finalized in the new register of financial intermediaries under art. 106 TUB. With effect from 23 May 2016, Factorit results in all effects recorded at c.d. "Albo Unico" with number 52.

On 28 October 2016, the Board of Directors approved the interim Financial Statements as at 30 September 2016.

With reference to the new structure of the Commercial Department, with effect from 14 January 2016, two further organizational changes were made. The first involved the creation of Area Territory Lombardy and, consequently and residually, Area Territory Piedmont, North East and South Center; the second, as the natural evolution of what has been decided in the recent past, the hierarchical dependence of local organizational units from the same Areas (Service Order n.39).

With effect from 9 May 2016, the Trade Department dedicated to the management of Large Customers and Large Debtors has been modified and split into two distinct areas ("Large Customers" and "Large Debtors, Tourism and Automotive") to ensure, on the one hand, the more efficient management of the most significant relationships in terms of profitability, volumes and risk and, secondly, to enable a greater focus of activities towards sectors in which the company intends to gain market share (Order of Service n.40).

During the second half of the year, the "Lombardy Branch" was further strengthened through a more efficient allocation of existing resources and the introduction of new profiles of proven experience and professionalism in customer management and development activities.

On 1 August 2016, the Naples branch was closed, a decision that was resolved mainly following the resignation of the sales manager. Commercial activities for the Center and South Italy have been centralized in Rome branch.

In 2016, 3 new Conventions were signed for the reporting of factoring transactions with as many Credit Institutions.
Finally, it is recalled that during the year the company sent several communications to the Bank of Italy, among which the most significant were:

- "Interlocking Verifications" (11/04/2016) - submission of the minutes of the Board of Directors dated 23/03/2016 verifying that none of the members of the Board of Directors and the Board of Statutory Auditors were in a situation of incompatibility within the art. 36 of D.L. nr. 201/2011 said "Salva Italia";

- "Verification of the Requirements of Corporate Members and Home Election" (11/04/2016) - Transmission of the minutes of the Board of Directors of 23/03/2016 which verified the requirements of the corporate members under the D.M. n. 516/1998 and contextual election of domicile;
- "Outsourcing of the Important Operations of Factorit" (24/10/16 and 15/12/2016) - Broadcasting, in compliance with the general principles and requirements for outsourcing of Corporate Functions, as regulated by the Bank of Italy circular nr. 288/2015, on the outsourcing of Factorit's major operational functions (FOI).

Commercial performance

Loans and receivables assigned during the year amounted to 10,416 million, with an increase of 11.7% compared to the previous year (9,324 million).

Loans and receivables assigned without recourse, i.e., when payment is guaranteed, made up 55.2% of the total turnover while those assigned with recourse accounted for 44.8%.

Active customers numbered were 1,290 at year-end, down 4.6% on the previous year-end.

Table 3. Operating figures

	2015	2016	Variation
Turnover	**9,324,298**	**10,416,054**	**11.7%**
including: without recourse	4,547,497	5,751,799	26.5%
including: with recourse	4,776,801	4,664,255	-2.4%
Net fee and commission income (%)	**0.25**	**0.20**	
Advances (stock) at 31/12	**1,652,089**	**2,199,463**	**33.1%**
Outstanding	**2,351,366**	**2,770,878**	**17.8%**
including: without recourse	1,074,671	1,543,715	43.6%
including: with recourse	1,276,695	1,227,163	-3.9%
No. of dossiers processed	**1,443,615**	**1,317,514**	**-8.7%**

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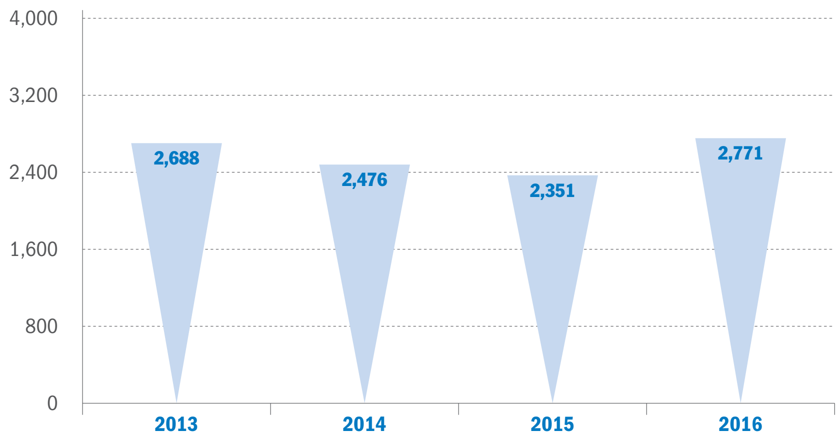
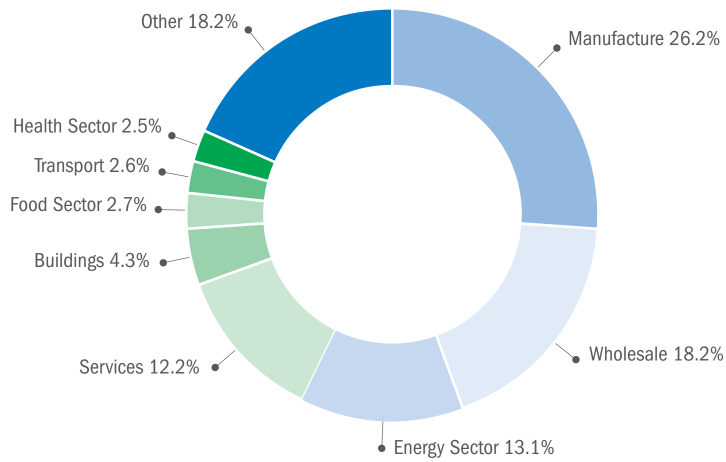
Graph 4. Outstanding loans and receivables (m)



The average term of loans and receivables increased to 97 days (2015: 92), compared to a market average of 110. 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 2016 shows that most of the volumes are generated by customers belonging to the Manufacture segment (26.2%), followed by wholesale (18.2%); Energy Sector (13.1%), Services (12.2%), Buildings (4.3%), Food Sector (2.7%), Transport (2.6%) and Health Sector (2.5%). The "Other" class covers the remaining 18.2%.

Graph 5. Breakdown of turnover by merchant sector of originator



An analysis of turnover by product shows that the traditional factoring accounts for 37.7% of total volumes. Financing products without notice to the debtor make up 43.7% of the total, followed by maturity factoring (16% of the total) and products with guarantee only without notice (2.6% of the total).

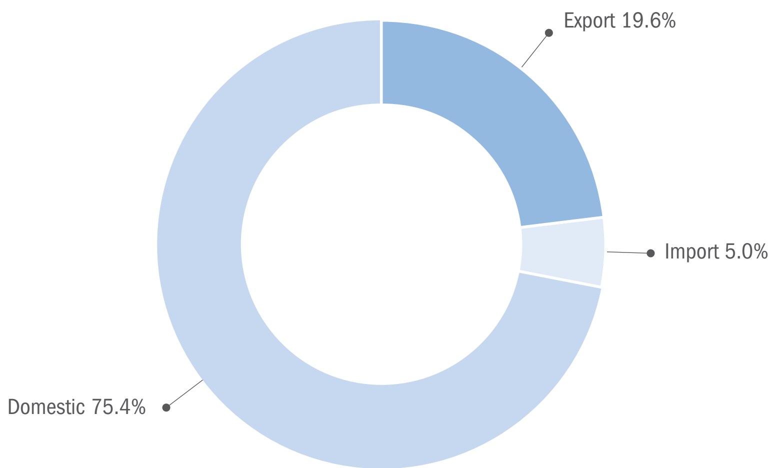
Table 4. Product segmentation (percentage of total)

	2014	2015	2016
Traditional factoring	42.1%	35.2%	37.7%
Financing products without notice	39.1%	44.4%	43.7%
Maturity factoring	15.7%	17.6%	16.0%
Guarantee only without notice	3.1%	2.8%	2.6%
Total	**100.0%**	**100.0%**	**100.0%**

(%)

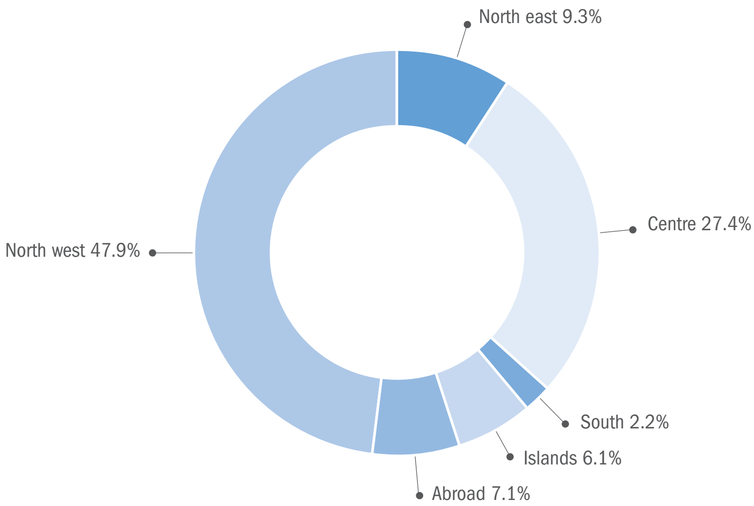
Domestic transactions made up 75.4% of total loans and receivables factored (turnover of €7,852 million). Export factoring accounted for 19.6% (€2,046 million) and import factoring for 5% (€518 million).

Graph 6. 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 Lazio, which became the first region in terms of turnover in 2016 thanks to operations with important counterparts in the energy sector, represents 26% of the total. Lombardy (25.3%) and Piedmont (21%) are among the most significant regions in the order of volumes.
Turnover contributed by customers based abroad made up 7.1% of the total.

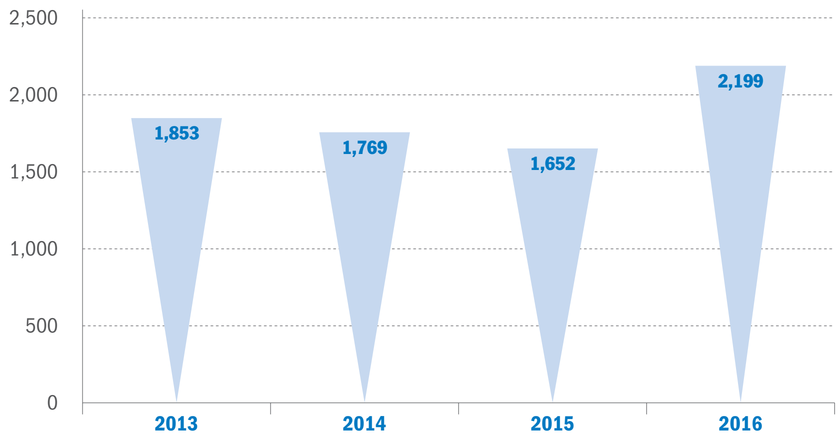
Graph 7. Breakdown of customers by macro geographical segment



(percentages calculated considering the customers' registered office)

At 31 December 2016, advances amounted to €2,199 million, equal to 79.4% of the outstanding loans and receivables.

Graph 8. Advances (m)



Distribution channels

Assignments by customers referred by the shareholder banks amounted to €4,128 million, equal to 39.6% of the total loans and receivables assigned, down 4.5% on the previous year.

Factorit has product distribution agreements with 56 banks, for a total of roughly 6,000 bank counters throughout Italy.

Considering the banking channel as a whole, referred customers contributed €4,295 million, equal to 41.2% of the total amount of loans and receivables assigned.

Customers from the "direct" channel assigned loans and receivables of €5,603 million, up 30.7% 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

	2015	Incidenza	2016	Incidenza	Scostamento
Banca Popolare di Sondrio	*2,140,992*	*23.0%*	*2,287,186*	*22.0%*	*6.8%*
Gruppo Banca Popolare di Milano	*991,874*	*10.6%*	*927,476*	*8.9%*	*-6.5%*
Banco Popolare	*1,191,148*	*12.8%*	*913,756*	*8.8%*	*-23.3%*
Total shareholder banks	*4,324,014*	*46.4%*	*4,128,418*	*39.7%*	*-4.5%*
Total BANKS	**4,563,473**	**48.9%**	**4,295,159**	**41.2%**	**-5.9%**
Total IMPORT	**472,410**	**5.1%**	**517,825**	**5.0%**	**9.6%**
Total DIRECT	**4,288,416**	**46.0**	**5,603,070**	**53.8%**	**30.7%**
Total	**9,324,299**	**100.0%**	**10,416,054**	**100.0%**	**11.7%**

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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 banking transparency regulations, the compliance unit carried out checks of the information sheets, contractual documentation, periodic communications and management of customer complaints with positive results. It noted that the company substantially complies with the correct preparation of the pre-contractual and contractual documentatios. In addition, a verification was carried out specifically dealing with the manner in which complaints were processed and the adequacy of internal procedures. In connection with this latest audit, following the suggestions proposed by the Board, the company is implementing specific intervention actions.

There has been no issue from the verification of wear and tear, conducted on the basis of current legislation until 2016. In 2017, a further check will be carried out to ensure the company's transposition of the novelties introduced by the instructions issued by the Bank of Italy in 2016, in force since 2017.

The unit issued 4 opinions in the field of assurance and 2 advice in the field of consultancy. These include the validation of contractual matters relating to the outsourcing of some important activities, in the light of the recent measures of the Bank of Italy. During 2016, the unit provided compliance assessments on the Rules of the Conformity Statement, being issued, as well as on the General Business Rules approved by the Board of Directors on October 28, 2016 following a complaint review.

The function has also supported the company in the obligations related to the entry in the Register pursuant to Article 106 of Legislative Decree no. 385/1993.

Organisational structure and human resources

During the year, it has been modified and strengthened the organization of the commercial structure of Lombardy. This strengthening, achieved through the inclusion of new staff, will allow the transferors management especially focused portfolio and targeted development and widespread of new customers. Naples branch staff (closed at the end of July) was transferred to production units in Rome and Milan.

Table 6. Average number of employees

	2015	2016
Managers	5	6
Junior managers	67	67
White collars	91	93
Total	**163**	**166**
including: part-time	*18*	*17*

Thirteen people left the company and another twenty people joined, most of whom with fixed term contracts. The average number for the year (166) is not weighted, in particular with respect to the 19 part-time contracts.

At year end, the company had 170 employees: 92 men and 78 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 Funds, 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 addition, a course was held for the sales staff and the credit area, aimed at updating the new financial statements that will enter into force in 2017 with reference to the 2016 financial year.

According to the new state-regions occupational safety directives, the company continued to provide the related training to all new hires and contractors.

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

At year end, non-performing exposures, before impairment losses, amounted to €32.6 million, including forborne exposures of €0.01 million, equal to 1.48% of the total principal lent. Net of impairment losses, these exposures amounted to €4.1 million (€1.8 million in 2015), equal to 0.2% of the advances (0.1% in 2015), which totalled €2,199 million at year-end (€1,652 million in 2015). The coverage ratio of non-performing loans was 87.5%.

At 31 December 2016, unlikely to pay exposures, before impairment losses, amounted to €33.2 million, of which €13.3 million were granted (50.5 million in 2015) and, net of impairment losses, amounted to €13.6 million (24.4 million in 2015).

At 31 December 2016, the company recorded losses of €30.4 million (€ 14.2 million in 2015). In detail: €29.5 million due from sellers; €0.8 million from debtors; €0.1 million for less worthy credits and credits. The amount recognised was fully covered by the relevant allowances.

Risk concentration and regulatory capital

During 2016, 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 December 31, it had 23 "large exposures".

It should be noted that at the same date no counterpart exceeded the limit of 40% of the eligible capital except for a "large exposure", against a primary industrial group, in favour of that the Parent issued sureties to cover the amount in excess of the individual limit.

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, a gradual recovery of the global economy is assumed. The world GDP should have increased by 3.1% in 2016 and could accelerate to 3.4% in 2017 and 3.6% in 2018, though with different speeds for larger advanced economies, with the exception of Italy, and Emerging markets (which may be affected by less favorable financial conditions).

Growth in the Eurozone should continue at a modest pace, albeit in a gradual consolidation. The uncertainty about the world economy, partly conditioned by possible geopolitical tensions, will be the major risk factor for European economic activity. In addition, the uncertainty surrounding negotiations on trade relations between the European Union and the United Kingdom remains high.

Projections for the Italian economy over the three-year period 2017-2019 submitted by the Bank of Italy assume the maintenance of expansive monetary conditions and are based on the hypothesis that overall favorable credit conditions are maintained.

GDP could increase by an average of 1% per year over the three-year period 2017-2019. Economic activity would be driven by domestic demand and the progressive strengthening of foreign trade. In the presence of favorable financial conditions, the expansion of investment in productive capital would contribute to supporting economic activity.

Consumption should grow at a pace close to those of the product and employment should expand, albeit at a slower pace than last year.

Foreign sales could increase at a higher rate than international trade, benefiting from the depreciation of the Euro exchange rate against major currencies.

Lastly, inflation, as measured by the Harmonized Index of Consumer Prices, could rise to 1.3% on average this year and next (from -0.1 in 2016) and 1.5% in 2019; the significant upswing in 2017 may be due to higher prices of imported energy.

As far as the factoring industry in Italy is concerned, the expected economic growth and the lower credit access difficulties would, according to Prometeia's forecasts, mean an average growth in the volume of receivables transferred to the sub-fund companies by 3.5% over the three year period 2017 - 2019 (higher than the traditional short-term bank credit). The Assifact’s surveys also confirmed the industry's positive expectations for the year just started, both in terms of turnover (+4.3%) and outstanding (+3.7%), as well as the general confidence of operators about the expected performance of the fiscal result for 2017 (60% of the factors expects a growth in output over 2016).

Factorit’s goals for 2017 have been prepared - in the light of the expectations of the Parent - on the basis of the forecasts on the performance of the Italian economy, with particular attention to GDP and considering the possible evolution of the Italian factoring market.

The company will maintain high attention on all activities aimed at the containment of risks and the constant improvement of the quality of the managed portfolio; Under the business aspect, continuing the positive trend of 2016, will pursue every opportunity for growth in terms of turnover and customer loyalty, both through partnerships with participating and contracted banks, as well as through direct business development operations. Finally, the possibilities for expanding the company's business to corporate clients, public administration and foreign companies will not be left out.

Dear shareholders,

We propose you approve the financial statements as at and for the year ended 31 December 2016 and the allocation of the profit for the year as follows:

Net profit for the year	Euro	3,229,386
Profits from previous years	Euro	228,866
Profits to allocate	Euro	3,458,252
Of which:		
5% of the profit to Legal Reserve	Euro	161,469
Profits to Extraordinary Reserve	Euro	3,067,917
Retained profits	Euro	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, 7 March 2017

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 2016

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 *"The financial statements of IFRS financial intermediaries different from the banks"* issued by Bank of Italy in its measure of 9 December 2016 as part of its powers conferred by Legislative Decree no. 136/2015 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	31/12/2016	31/12/2015
10. Cash and cash equivalents	1.315	3.838
40. Available-for-sale financial assets	350.000	1.060.000
60. Loans and receivables	2.160.157.275	1.596.359.245
100. Property and equipment	514.185	394.390
110. Intangible assets	89.145	118.658
120. Tax assets	36.418.871	39.299.204
a) current	9.175.924	11.617.422
b) deferred	27.242.947	27.681.782
including: as per Law no. 214/2011	*25.238.577*	*26.566.924*
140. Other assets	5.854.232	9.671.063
TOTAL ASSETS	**2.203.385.023**	**1.646.906.398**

Liabilities and equity	31/12/2016	31/12/2015
10. Financial liabilities	1.968.727.056	1.390.556.917
70. Tax liabilities	2.202.847	10.813.828
a) current	163.518	8.774.666
b) deferred	2.039.329	2.039.162
90. Other liabilities	12.368.320	20.595.891
100. Post-employment benefits	2.363.578	2.350.613
110. Provisions for risks and charges:	3.427.950	3.303.372
a) pension and similar provisions	-	-
b) other provisions	3.427.950	3.303.372
120. Share capital	85.000.002	85.000.002
150. Share premium	11.030.364	11.030.364
160. Reserves	115.270.549	102.670.876
170. Valuation reserves	-235.029	-175.138
180. Profit for the year	3.229.386	20.759.673
TOTAL LIABILITIES AND EQUITY	**2.203.385.023**	**1.646.906.398**

INCOME STATEMENT
(Euro)

	31/12/2016	31/12/2015
10. Interest and similar income	25.937.168	35.382.640
20. Interest and similar expense	-4.064.970	-6.380.014
NET INTEREST INCOME	21.872.198	29.002.626
30. Fee and commission income	24.146.154	27.609.358
40. Fee and commission expense	-3.525.190	-4.757.824
NET FEE AND COMMISSION INCOME	20.620.964	22.851.534
60. Net trading income	-16.960	18.362
TOTAL INCOME	42.476.202	51.872.522
100. Net impairment losses on:	-18.360.734	-2.830.058
a) financial assets	-18.568.657	-2.905.813
b) other financial transactions	207.923	75.755
110. Administrative expenses:	-21.977.037	-22.522.246
a) personnel expense	-13.358.251	-12.747.770
b) other administrative expenses	-8.618.786	-9.774.476
120. Depreciation and net impairment losses on property and equipment	-158.056	-148.614
130. Amortisation and net impairment losses on intangible assets	-54.712	-64.162
150. Net accruals to provisions for risks and charges	-141.639	1.349.289
160. Other operating income, net	2.018.014	2.462.574
OPERATING PROFIT	3.802.038	30.119.305
180. Net gain on the sale of investments	52.585	-
PRE-TAX PROFIT FROM CONTINUING OPERATIONS	3.854.623	30.119.305
190. Income taxes	-625.237	-9.359.632
POST-TAX PROFIT FROM CONTINUING OPERATIONS	3.229.386	20.759.673
PROFIT FOR THE YEAR	**3.229.386**	**20.759.673**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

	Voci	31/12/2016	31/12/2015
10	**Profit for the year**	**3.229.386**	**20.759.673**
	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	(59.891)	1.605
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	(59.891)	1.605
140	Comprehensive income (captions 10+110)	**3.169.495**	**20.761.278**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(Euro)

	Balance at 31/12/2015	Changes to opening balances	Balance at 1/01/2016	Allocation of prior year profit		Changes of the year							2016 comprehensive income	Equity at 31/12/2016
							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		Dividends and other allocations	
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	97.717.166	-	97.717.166	12.599.673	-	-	-	-	-	-	-		-	110.316.839
b) other	4.953.710	-	4.953.710	-	-	-	-	-	-	-	-		-	4.953.710
Valuation reserves	(175.138)	-	(175.138)	-	-	-	-	-	-	-	-		(59.891)	(235.029)
Equity instruments	-	-		-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-		-	-	-	-	-	-	-	-		-	-
Profit for the year	20.759.673	-	20.759.673	(12.599.673)	(8.160.000)	-	-	-	-	-	-		3.229.386	3.229.386
Equity	219.285.777	-	219.285.777	-	(8.160.000)	-	-	-	-	-	-		3.169.495	214.295.272

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 CASH FLOWS

(Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2016	31/12/2015
1. OPERATIONS	**21.890.381**	**33.951.796**
- profit for the year (+/-)	3.229.386	20.759.673
- net losses on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (+/-)	16.960	-18.362
- net impairment losses (+/-)	18.360.734	2.830.058
-net impairment losses on property and equipment and intangible assets (+/-)	212.768	212.776
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	(141.639)	1.349.289
- unsettled taxes and tax assets (+/-)	163.518	8.774.666
- other adjustments (+/-)	48.654	43.696
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**(576.599.987)**	**106.831.738**
- available-for-sale financial assets	710.000	690.000
- loans and receivables with banks	-5.700.429	3.507.746
- loans and receivables with financial institutions	-25.832.024	67.463.240
- loans and receivables with customers	-550.033.200	36.724.758
- other assets	4.255.666	-1.554.006
3. CASH FLOWS USED FOR FINANCIAL LIABILITIES	**563.781.785**	**-128.902.673**
- due to banks	578.995.587	-113.948.835
- due to financial institutions	-187.549	-58.720
- due to customers	-637.899	-1.458.076
- securities issued	0	0
- other liabilities	-14.388.354	-13.437.042
Net cash flows generated by operating activities	**9.072.179**	**11.880.861**
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY	**4.014**	**0**
- sales of property and equipment	4.014	0
- sales of intangible assets	0	0
- sales of business units	0	0
2. CASH FLOWS USED TO ACQUIRE	**-308.645**	**-157.629**
- property and equipment	-283.446	-124.427
- intangible assets	-25.199	-33.202
- business units	0	0
Net cash flows used in investing activities	**-304.631**	**-157.629**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	0	0
- issue/purchase of equity instruments	0	0
- dividend and other distributions	-8.160.000	-10.200.000
Net cash flows used by financing activities	**-8.160.000**	**-10.200.000**
TOTAL NET CASH FLOWS FOR THE YEAR	**607.548**	**1.523.232**

RECONCILIATION	Amount	
	31/12/2016	31/12/2015
Opening cash and cash equivalents	**6.815.993**	**5.292.761**
Total net cash flows for the year	607.548	1.523.232
Closing cash and cash equivalents	**7.423.541**	**6.815.993**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, 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 *"The financial statements of IFRS financial intermediaries different from the banks"* issued by Bank of Italy in its measure of 9 December 2016.

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;
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, the Board of Directors authorized the publication of the Financial Statements on 7 March 2017.
No significant events have occurred that could significantly alter the company's financial and equity situation so that their omission could affect the economic decisions of the users of the financial statements.

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/Isvap document of 6 February 2009.

In the preparation of the financial statements, we have taken into consideration the changes to the current accounting principles.

The company has not made any exceptions 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.

A.2 – MAIN FINANCIAL INDICATORS

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 revenues

Costs and revenues 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”.

Revenues and costs

Revenues and costs are recognised and presented on an accruals basis. Revenues are 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 2016.

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

Assets and liabilities measured at fair value	Level 1	Level 2	Level 3	TOTAL
1. Financial assets held for trading	-	-	-	-
2. Financial assets at fair value through profit or loss	-	-	-	-
3. Available-for-sale financial assets	-	-	350.000	350.000
4. Hedging derivatives	-	-	-	-
5. Property and equipment	-	-	-	-
6. Intangible assets	-	-	-	-
Total assets	-	-	**350.000**	**350.000**
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. 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

	31/12/2016	31/12/2015
a) Cash	1.315	3.838
b) Demand deposits with central banks	-	-
Total	**1.315**	**3.838**

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

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

Captions/Amount	31/12/2016			31/12/2015		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	-	-	-	-	-	-
- Structured	-	-	-	-	-	-
- Other	-	-	-	-	-	-
2. Equity instruments and OEIC units	-	-	350.000	-	-	1.060.000
- including: measured at cost	-	-	350.000	-	-	1.060.000
3. Financing	-	-	-	-	-	-
Total	-	-	**350.000**	-	-	**1.060.000**

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

Captions/Amount	31/12/2016	31/12/2015
Financial assets	**350.000**	**1.060.000**
a) Government and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Financial institutions	-	-
e) Other issuers	350.000	1.060.000
Total	**350.000**	**1.060.000**

Section 6 *Loans and receivables – Caption 60*

6.1 Loans and receivables with banks

Composition	31/12/2016				31/12/2015			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits and current accounts	**7.422.226**	**-**	**-**	**7.422.226**	**6.812.155**	**-**	**-**	**6.812.155**
2. Financing	**167.793**	**-**	**-**	**167.793**	**91.186**	**-**	**-**	**91.186**
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Finance leases	-	-	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	-	-	-	-
- with recourse	-	-	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-
2.4 Other financing	167.793	-	-	167.793	91.186	-	-	91.186
3 Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- structured	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
4. Other assets	**9.353.567**	**-**	**-**	**9.353.567**	**3.729.705**	**-**	**-**	**3.729.705**
Total	**16.943.586**	**-**	**-**	**16.943.586**	**10.633.046**	**-**	**-**	**10.633.046**

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 7,422,226, consists of temporary liquidity deposited with banks, mainly originating from large cash inflows at year end.

Caption 4 "Other assets" includes:

- 81 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;
- 8,690,154 of advances to assignors made on behalf of banks as syndicated factoring transactions for which Factorit acts as lead factor.

6.2 Loans and receivables with financial institutions

Composition	31/12/2016						31/12/2015					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing	**86.177.043**	-	**29.169**	-	-	**86.206.212**	**60.351.824**	-	**28.030**	-	-	**60.379.854**
1.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	75.092.685	-	448	-	-	**75.093.133**	35.469.938	-	605	-	-	**35.470.543**
- with recourse	75.092.685	-	448	-	-	**75.093.133**	35.469.938	-	605	-	-	**35.470.543**
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Other financing	11.084.358	-	28.721	-	-	**11.113.079**	24.881.886	-	27.425	-	-	**24.909.311**
2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
- structured	-	-	-	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-	-	-	-
3 Other assets	**5.666**	-	-	-	-	**5.666**	-	-	-	-	-	-
Total	**86.182.709**	-	**29.169**	-	-	**86.211.878**	**60.351.824**	-	**28.030**	-	-	**60.379.854**

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 (11,113,079).

6.3 Loans and receivables with customers

Composition	31/12/2016						31/12/2015					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
1. Financing	**2.037.830.244**	**-**	**19.161.857**	**-**	**-**	**2.056.992.101**	**1.496.699.512**	**-**	**28.645.029**	**-**	**-**	**1.525.344.541**
1.1. Finance leases	-	-		-	-		-	-	-	-	-	
including: without purchase option	-	-		-	-		-	-	-	-	-	
1.2. Factoring	1.739.564.030	-	18.708.724	-	-	1.758.272.754	1.443.710.430	-	28.276.677	-	-	1.471.987.107
- with recourse	1.444.340.811	-	10.139.796	-	-	1.454.480.607	1.428.845.693	-	19.888.385	-	-	1.448.734.078
- without recourse	295.223.219	-	8.568.928	-	-	303.792.147	14.864.737	-	8.388.292	-	-	23.253.029
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	298.266.214	-	453.133	-	-	298.719.347	52.989.082	-	368.352	-	-	53.357.434
including: from the enforcement of guarantees and commitments	-	-		-	-		-	-	-	-	-	
2. Debt instruments	-	-		-	-		-	-	-	-	-	
2.1. Structured instruments	-	-		-	-		-	-	-	-	-	
2.2. Other debt instruments	-	-		-	-		-	-	-	-	-	
3. Other assets	**9.710**	-	-	-	-	**9.710**	**1.804**	-	-	-	-	**1.804**
Total	**2.037.839.954**	**-**	**19.161.857**	**-**	**-**	**2.057.001.811**	**1.496.701.316**	**-**	**28.645.029**	**-**	**-**	**1.525.346.345**

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 63,442,001;
- accrued charges due from the assigned debtors on payment extensions granted to them of 586,751;
- advances for assignments of loans and receivables that do not fall under the scope of Law no. 52/91 of 227,319;
- other financing of 6,893,600;
- post office current accounts of 24,763.

The impaired “Other financing” includes:

- non-performing exposures of 57,415 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 353,804 for other financing;
- past due exposures of 41,906 for accrued charges due from by the assigned debtors.

6.4 Loans and receivables: guaranteed assets

	31/12/2016						31/12/2015					
	Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers		Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers	
	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV
1. Performing assets guaranteed by:	**-**	**-**	**74.632.754**	**74.632.754**	**1.354.106.827**	**1.352.618.385**	**-**	**-**	**34.439.221**	**34.439.221**	**1.337.736.593**	**1.337.734.712**
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Factoring receivables	-	-	74.413.037	74.413.037	1.337.809.538	1.337.809.538	-	-	34.439.221	34.439.221	1.327.393.851	1.327.393.851
- Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Collateral	-	-	219.717	219.717	16.297.289	14.808.847	-	-	-	-	10.342.742	10.340.861
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Impaired assets guaranteed by:	**-**	**-**	**-**	**-**	**7.895.252**	**7.895.252**	**-**	**-**	**-**	**-**	**12.619.428**	**12.619.428**
- Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
- Assigned loans and receivables	-	-	-	-	7.464.148	7.464.148	-	-	-	-	12.013.350	12.013.350
- Mortgages	-	-	-	-	358.192	358.192	-	-	-	-	438.777	438.777
- Pledges	-	-	-	-	-	-	-	-	-	-	-	-
- Collateral	-	-	-	-	72.912	72.912	-	-	-	-	167.301	167.301
- Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**74.632.754**	**74.632.754**	**1.362.002.079**	**1.360.513.637**	**-**	**-**	**34.439.221**	**34.439.221**	**1.350.356.021**	**1.350.354.140**

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

Assets/Amount	31/12/2016	31/12/2015
1. Owned	**514.185**	**394.390**
a) land	-	-
b) buildings	-	-
c) furniture	143.131	178.050
d) electronic systems	56.443	47.465
e) other	314.611	168.875
2. Under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**514.185**	**394.390**

10.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance			**1.563.497**	**3.153.140**	**970.571**	**5.687.208**
A.1 Total net impairment losses			1.385.447	3.105.675	801.696	5.292.818
A.2 Net opening balance			**178.050**	**47.465**	**168.875**	**394.390**
B. Increases			**-**	**24.054**	**259.464**	**283.518**
B.1 Purchases			-	23.982	259.464	283.446
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			-	72	-	72
C. Decreases			**34.919**	**15.076**	**113.728**	**163.723**
C.1 Sales			-	-	4.014	4.014
C.2 Depreciation			34.919	15.076	108.061	158.056
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			-	-	1.653	1.653
D. Net closing balance			**143.131**	**56.443**	**314.611**	**514.185**
D.1 Total net impairment losses			497.364	3.121.375	504.871	4.123.610
D.2 Gross closing balance			**640.495**	**3.177.818**	**819.482**	**4.637.795**
E. Measurement at cost			**143.131**	**56.443**	**314.611**	**514.185**

Section 11 *Intangible assets – Caption 110*

11.1 Composition of caption 110 "Intangible assets"

Voci/Valutazione	31/12/2016		31/12/2015	
	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	89.145	-	118.658	-
- internally developed assets	-	-	-	-
- other	89.145	-	118.658	-
2.2 Under finance lease	-	-	-	-
Total 2	**89.145**	**-**	**118.658**	**-**
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)	**89.145**	**-**	**118.658**	**-**

11.2 Intangible assets: changes

	Total
A. Opening balance	**118.658**
B. Increases	**25.199**
B.1 Purchases	25.199
B.2 Reversals of impairment losses	-
B.3 Fair value gains recognised in:	-
- equity	-
- profit or loss	-
B.4 Other increases	-
C. Decreases	**54.712**
C.1 Sales	-
C.2 Amortisation	54.712
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	**89.145**

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, and 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"

	Total 31/12/2016	Total 31/12/2015
Current tax assets	9.175.924	11.617.422
Deferred tax assets (through equity)	116.290	93.572
Deferred tax assets (through profit or loss)	27.126.657	27.588.210
Total	**36.418.871**	**39.299.204**

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.
By 2015, the immediate deductibility of losses and write-downs of loans to customers is expected to align the Italian banking system with tax criteria already in place in several EU countries and effectively eliminating a distortion of the competition.
For the sole financial year 2015, for the protection of the income tax, the deductibility has been reduced to 75% with the other 25% has been added to write downs and losses for the previous years which were not recovered as of 31 December 2014.
The total amount non deducted in this format will now be recovered taxably in a 10 year timeframe – from 2016 to 2025 – according to specific percentages set in the Decree, replicating the previous rule.
More specifically, the percentages are 5% for 2016, 8% for 2017, 10% for 2018 12 from 2019 and 5% for 2025.
Conversely, from the fiscal year 2016 exercise there is full and immediate deductibility. The amendment described above also has an effect on the IRAP regional tax.

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

Denominazioni	Total 31/12/2016	Total 31/12/2015
Current tax liabilities	163.518	8.774.666
Deferred tax liabilities (through equity)	2.039.162	2.039.162
Deferred tax liabilities (through profit or loss)	167	-
Total	**2.202.847**	**10.813.828**

Deferred tax liabilities are mainly represented by the tax arising from the different valuation of receivables according to IAS, when first applied; which is deferred to subsequent years.
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)

	31/12/2016	31/12/2015
1. Opening balance	**27.588.210**	**28.177.445**
2. Increases	**866.794**	**315.266**
2.1 Deferred tax assets recognised in the year	866.794	315.266
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	866.794	315.266
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1.328.347**	**904.501**
3.1 Deferred tax assets derecognised in the year	1.328.347	904.501
a) reversals	1.328.347	904.501
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	**27.126.657**	**27.588.210**

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)

	31/12/2016	31/12/2015
1. Opening balance	**26.566.924**	**26.251.658**
2. Increases	**-**	**315.266**
3. Decreases	**1.328.347**	**-**
3.1 Reversals	1.328.347	-
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	**25.238.577**	**26.566.924**

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

	31/12/2016	31/12/2015
1. Opening balance	**-**	**4.269**
2. Increases	**167**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	167	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**4.269**
3.1 Deferred tax liabilities derecognised in the year	-	4.269
a) reversals	-	4.269
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**167**	**-**

12.5 Changes in deferred tax assets (recognised in equity)

	31/12/2016	31/12/2015
1. Opening balance	**93.572**	**94.181**
2. Increases	**22.718**	**-**
2.1 Deferred tax liabilities recognised in the year	22.718	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	22.718	-
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	**116.290**	**93.572**

The table shown is composed solely by deferred tax on actuarial gain/loss from valuation on Post employment fund.

12.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2016	31/12/2015
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”

	31/12/2016	31/12/2015
Tax credits (not classifiable as tax assets)	466.185	469.498
Items in transit not yet posted to destination accounts	4.282.681	7.719.502
guarantee deposits	26.394	28.892
Advances to suppliers	2.958	2.704
Prepayments and accrued income not recognisable under a specific caption	507.560	654.384
Other items	568.454	796.083
Total	**5.854.232**	**9.671.063**

“Tax credits” includes the payment on account of €303,951 for the 2016 virtual stamp duty and €22,602 regarding VAT.

They also include the claimed reimbursement for the deductibility of IRAP related to personnel expense for 2011 from IRAP (€125,786).

In the caption “Items in transit not yet posted to destination accounts” is included an amount of €4,274,349 regarding bank receipts yet to be cashed in.

Other items include €299,278 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

Voci	31/12/2016 Due to banks	Due to fin. institutions	Due to customers	31/12/2015 Due to banks	Due to fin. institutions	Due to customers
1. Financing	**1.963.269.309**	**-**	**-**	**1.380.600.072**	**-**	**-**
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other financing	1.963.269.309	-	-	1.380.600.072	-	-
2. Other loans and borrowings	**2.861.697**	**154.753**	**2.441.297**	**6.535.347**	**342.302**	**3.079.196**
Total	**1.966.131.006**	**154.753**	**2.441.297**	**1.387.135.419**	**342.302**	**3.079.196**
Fair value Level 1						
Fair value Level 2						
Fair value Level 3	**1.966.131.006**	**154.753**	**2.441.297**	**1.387.135.419**	**342.302**	**3.079.196**
Total fair value	**1.966.131.006**	**154.753**	**2.441.297**	**1.387.135.419**	**342.302**	**3.079.196**

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	34.274.510
Advances under reserve on cash orders or direct debits	81.111.651
Hot money at maturity	136.000.000
Commissions to be paid	522.511
Foreign currency advances	52.749.764
Supplier invoices received and to be received	722.587
Due to parent	1.660.193.664
Accrued expenses on hot money	1.016
Accrued expenses on foreign currency advances	22.878
Due to principals	532.425
Total	**1.966.131.006**

“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"

	31/12/2016	31/12/2015
Taxes payables	616.460	657.466
Personnel	202.290	172.555
Social security institutions	592.657	555.850
Suppliers	828.551	1.284.260
Invoices to be received	498.956	595.362
Amounts to be credited under processing	6.082.808	13.477.437
Provision for guarantees and commitments	120.315	328.237
Directors and Statutory Auditors	23.088	99.072
Other	3.403.195	3.425.652
Total	**12.368.320**	**20.595.891**

"Amounts to be credited under processing" include:

- direct remittances received but not yet allocated to the relevant captions (€6,042,708);
- bills to be credited (€29,189);
- bills after collection (€10,911).

"Other" comprises:

- deferred income due to the allocation of commissions invoiced to customers over the receivable's term on an accruals basis (€2,498,198);
- items not attributable to the other captions (€497,415).

Section 10 *Post-employment benefits – Caption 100*

10.1 Post-employment benefits: changes

	31/12/2016	31/12/2015
A. Opening balance	**2.350.613**	**2.324.262**
B. Increases	**129.681**	**43.696**
B.1 Accruals	47.073	43.696
B.2 Other increases	82.608	-
C. Decreases	**116.716**	**17.345**
C.1 Payments	105.511	8.300
C.2 Other decreases	11.205	9.045
D. Closing balance	**2.363.578**	**2.350.613**

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

The expected unit credit provides that the costs to be incurred during the year for the establishment of the TFR are determined on the basis of the share of the benefits accrued in the same year. According to the accrued benefit method, the employee's obligation is determined on the basis of the work already provided at the valuation date.

The following assumptions were adopted in the actuarial calculation:

	31/12/2016	31/12/2015
Technical discount rate	1,54%	2,05%
Annual inflation rate	1,5%	1,5%

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

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

	31/12/2016	31/12/2015
1. Internal pension funds	-	-
2. Other provisions for risks and charges	3.427.950	3.303.372
2.1 legal disputes	1.674.126	1.951.462
2.2 personnel expense	896.849	861.910
2.3 other	856.975	490.000
Total	**3.427.950**	**3.303.372**

The provisions for legal disputes is composed as follows:
- claw-back claims of €800,690;
- actions brought against the company of €873,436.

The provisions for personnel expense refer to:
- personnel training of €68,783;
- other personnel expense of €828,066.

"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	31/12/2016
A. Opening balance	**-**	**3.303.372**	**3.303.372**
B. Increases	**-**	**1.080.659**	**1.080.659**
B.1 Accruals	-	1.080.659	1.080.659
B.2 Changes due to passage of time	-	-	-
B.3 Changes due to variations in discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**956.081**	**956.081**
C.1 Utilisations	-	531.081	531.081
C.2 Changes due to variations in discount rate	-	-	-
C.3 Other decreases	-	425.000	425.000
D. Closing balance	**-**	**3.427.950**	**3.427.950**

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

12.1 Composition of caption 120 "Share capital"

Tipologie	31/12/2016
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 2016 or 2015.

12.3 Composition of caption 140 "Equity instruments"

The company had not issued equity instruments at either 31 December 2016 or 2015.

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	10.873.379	B	-	-	-
Share premium	11.030.364	A-B	7.164.605	-	-
Share premium	-	A-B-C	3.865.759	-	-
Other reserves	103.933.275	A-B-C	103.933.275	-	-
Retained earnings	228.866	A-B-C	228.866	-	-
Total	**211.065.886**		**115.192.505**	**-**	**-**
Non-distributable portion	**-**	**-**	**7.164.605**	**-**	**-**
Remaining distributable portion	**-**	**-**	**108.027.900**	**-**	**-**

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 (-€235,029).
According to the Article 2427, comma 1, n. 22-septies of the Italian Civil Law the proposal for the allocation of the profit of year ended 31 December 2016 is hereby shown:

Net profit for the year	Euro 3,229,386
Profits from previous years	Euro 228,866
Profits to allocate	Euro 3,458,252
Of which:	
5% of the profit to Legal Reserve	Euro 161,469
Profits to Extraordinary Reserve	Euro 3,067,917
Retained profits	Euro 228,866

12.6 Composition of caption 170 "Valuation reserves"

These reserves have a negative balance of €235,029 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	31/12/2016	31/12/2015
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	-	**25.936.324**	-	**25.936.324**	**35.382.640**
5.1. Loans and receivables with banks	-	50.498	-	50.498	11.828
5.2. Loans and receivables with financial institutions	-	1.052.140	-	1.052.140	2.537.036
5.3 Loans and receivables with customers	-	24.833.686	-	24.833.686	32.833.776
6. Other assets	-	-	**844**	**844**	-
7. Hedging derivatives	-	-	-	-	-
Total	-	**25.936.324**	**844**	**25.937.168**	**35.382.640**

1.2 Interest and similar income: other disclosures

Foreign currency interest income on loans and receivables with customers and financial institutions amounts to €511,679 (2015: €846,984).

1.3 Composition of caption 20 “Interest and similar expense”

Voci/Forme tecniche	Financing	Securities	Other transactions	31/12/2016	31/12/2015
1. Due to banks	(4.035.081)		-	(4.035.081)	(6.375.784)
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			(29.889)	(29.889)	(4.230)
8. Hedging derivatives			-	-	-
Total	**(4.035.081)**	**-**	**(29.889)**	**(4.064.970)**	**(6.380.014)**

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

2.1 Composition of caption 30 "Fee and commission income"

	31/12/2016	31/12/2015
1. Finance leases	-	-
2. Factoring	**21.618.639**	**25.116.264**
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	**2.527.515**	**2.493.094**
9. Other fees and commissions	**24.146.154**	**27.609.358**

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, €2,498,198 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"

Breakdown/Segment	31/12/2016	31/12/2015
1. Guarantees received	**(311.481)**	**(302.238)**
2. Distribution of third party services	-	-
3. Collection and payment services	-	-
4. Other fees and commissions	**(3.213.709)**	**(4.455.586)**
4.1 factoring	(1.721.134)	(2.895.502)
4.2 other	(1.492.575)	(1.560.084)
Total	**(3.525.190)**	**(4.757.824)**

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 €66,602.

Section 4 *Net trading income – Caption 60*

4.1 Composition of caption 60 "Net trading income"

Item 3 of caption "Other financial assets and liabilities: exchange differences" shows a balance of -€16,960.

Section 8 *Net impairment losses – Caption 100*

8.1 "Net impairment losses on financial assets"

	Impairment losses		Reversals of impairment losses		31/12/2016	31/12/2015
	Individual	Collective	Individual	Collective		
1. Loans and receivables with banks				**108**	**108**	**988**
- leases						
- factoring						1.185
- other				108	108	**(197)**
2. Loans and receivables with financial institutions			**3.042**	**356.127**	**359.169**	**623.197**
Impaired loans and receivables purchased						
- leases						
- factoring						
- other						
Other			3.042	356.127	359.169	623.197
- leases						
- factoring			1.746	287.559	289.305	621.961
- other			1.296	68.568	69.864	1.236
3. Loans and receivables with customers	**(29.949.315)**	**(1.980.689)**	**8.575.084**	**4.426.986**	**(18.927.934)**	**(3.529.998)**
Impaired loans and receivables purchased						
- leases						
- factoring						
- consumer credit						
- other						
Other	(29.949.315)	(1.980.689)	8.575.084	4.426.986	(18.927.934)	(3.529.998)
- leases						
- factoring	(29.686.907)	(942.792)	7.336.454	4.345.662	(18.947.583)	(3.717.678)
- consumer credit						
- Pawn loans						
- other	(262.408)	(1.037.897)	1.238.630	81.324	19.649	187.680
Total	**(29.949.315)**	**(1.980.689)**	**8.578.126**	**4.783.221**	**(18.568.657)**	**(2.905.813)**

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	31/12/2016	31/12/2015
A. Guarantees given	(67.524)	-	275.447	-	207.923	75.755
B. Credit derivatives	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-
E. Total	**(67.524)**	**-**	**275.447**	**-**	**207.923**	**75.755**

Section 9 *Administrative expenses – Caption 110*

9.1 Composition 110.a "Personnel expense"

	31/12/2016	31/12/2015
1. Employees	**(13.026.794)**	**(12.402.787)**
a) Wages and salaries	(9.173.759)	(8.544.425)
b) Social security contributions	(2.488.616)	(2.459.852)
c) Post-employment benefits	-	-
d) Pension costs	-	-
e) Accrual for post-employment benefits	(47.073)	(43.696)
f) Accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) Payments to external supplementary pension:	(753.250)	(745.022)
- defined contribution plans	(753.250)	(745.022)
- defined benefit plans	-	-
h) Other costs	(564.096)	(609.792)
2. Other personnel	**(24.083)**	**(59.221)**
3. Directors and statutory auditors	**(318.982)**	**(302.852)**
4. Retired personnel	**(19.789)**	**-**
5. Cost recoveries for personnel seconded to other companies	**121.149**	**106.898**
6. Cost reimbursements for personnel seconded to the company	**(89.752)**	**(89.808)**
Total	**(13.358.251)**	**(12.747.770)**

"Directors and statutory auditors" include the insurance premium of €27,562 for the civil liability policy agreed for the directors and statutory auditors.

9.2 Average number of employees by category

	31/12/2016		31/12/2015	
	Average	Reporting date	Average	Reporting date
Employees	**166**	**170**	**163**	**163**
a) Managers	6	7	5	6
b) Junior Managers	67	68	67	67
Including: 3rd e 4th level	38	38	39	39
c) Other employees	93	95	91	90
Other personnel	**5**	**2**	**9**	**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”

	31/12/2016	31/12/2015
Building costs:	(1.571.529)	(1.536.200)
- leases and maintenance	(1.526.471)	(1.484.404)
- utilities	(45.058)	(51.796)
Indirect taxes and duties	(1.683.723)	(1.975.324)
Postal, telephone, printing and other office expenses	(484.256)	(533.503)
Maintenance and charges for furniture, equipment and systems	(494.067)	(505.046)
Professional services and consultancy	(441.596)	(750.583)
Legal fees	(1.547.740)	(1.772.258)
Advertising, entertainment and gifts	(129.528)	(129.156)
Insurance premiums	(70.386)	(68.587)
Transport, rentals and business trips	(419.482)	(445.701)
Outsourcing	(884.242)	(1.156.053)
Data registration by third parties	(380.116)	(517.175)
Membership fees	(54.071)	(53.585)
Outsourcing within Group	(90.000)	(90.000)
Other	(368.050)	(241.305)
Total	**(8.618.786)**	**(9.774.476)**

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	**(158.056)**	**-**	**-**	**(158.056)**
1.1 Owned	(158.056)	-	-	(158.056)
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	(34.919)	-	-	(34.919)
d) operating	(15.076)	-	-	(15.076)
e) other	(108.061)	-	-	(108.061)
1.2 under finance lease	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) operating	-	-	-	-
e) other	-	-	-	-
2. Investment property	**-**	**-**	**-**	**-**
Total	**(158.056)**	**-**	**-**	**(158.056)**

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"

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a+b-c)
1. Goodwill	-	-	-	-
2. Other intangible assets	**(54.712)**	**-**	**-**	**(54.712)**
2.1 owned	(54.712)	-	-	(54.712)
2.2 under finance lease	-	-	-	-
3. Assets under finance lease	-	-	-	-
4. Assets under operating lease	-	-	-	-
Total	**(54.712)**	**-**	**-**	**(54.712)**

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	31/12/2016	31/12/2015
1. Accruals to the provision for pension and similar provisions	-	-	-	-
2. Accruals to other provisions for risks and charges	**(566.639)**	**425.000**	**(141.639)**	**1.349.289**
a) legal disputes	(199.664)	425.000	225.336	1.839.289
b) personnel expense	-	-	-	-
c) other	(366.975)	-	(366.975)	(490.000)
Total	**(566.639)**	**425.000**	**(141.639)**	**1.349.289**

Section 14 *Other net operating income – Caption 160*

14.1 Composition of caption 160 "Other operating income"

	31/12/2016	31/12/2015
- recovery of taxes	244.582	232.031
- recovery of costs	834.825	897.539
- income for IT services rendered	244.800	756.654
- other	1.008.102	750.655
Total	**2.332.309**	**2.636.879**

"Other" includes income of €62,740 for factoring activities and other assignments.

14.2 Composition of caption 160 “Other operating expenses”

	31/12/2016	31/12/2015
- contingent liabilities	(313.853)	(173.115)
- other	(442)	(1.190)
Totale	**(314.295)**	**(174.305)**

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

16.1 Composition of caption 180 “Net gain on the sale of investments”

	31/12/2016	31/12/2015
1. Buildings	**-**	**-**
- Gains	-	-
- Losses	-	-
2. Other assets	**52.585**	**-**
- Gains	52.585	-
- Losses	-	-
Net gain	**52.585**	**-**

Section 17 *Income taxes – Caption 190*

Factorit did not participate in the domestic tax consolidation scheme in 2016 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”

	31/12/2016	31/12/2015
1. Current taxes (-)	(163.518)	(8.774.666)
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 (+/-)	(461.552)	(589.235)
5. Change in deferred tax liabilities (+/-)	(167)	4.269
Tax expense for the year	**(625.237)**	**(9.359.632)**

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	3.854.623	1.060.021	3.854.623	214.702	
Tax credit	-	-	-	-	
Increase in permanent differences	739.573	203.383	33.114.301	1.844.467	
Decrease in permanent differences	(222.270)	(61.124)	(33.268.962)	(1.853.081)	
Increase in temporary differences	(1.702.781)	(468.265)	-	-	
Increase in temporary differences (for the year as per Law no. 214/2011)	-	-	-	-	
Decrease in temporary differences	(5.986.623)	(1.646.321)	(764.267)	(42.570)	
Effective tax expense	**(3.317.478)**	**-**	**2.935.695**	**163.518**	**163.518**

In the current tax period, in terms of IRES, the company has realized a fiscal operative loss, which will be reported and used in the future tax periods.

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			31/12/2016	31/12/2015
	Banks	Financial institutions	Customers	Banks	Financial institutions	Customers		
1. Finance leases	-	-	-	-	-	-	-	-
- real estate	-	-	-	-	-	-	-	-
- moveable property	-	-	-	-	-	-	-	-
- operating assets	-	-	-	-	-	-	-	-
- intangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	**1.052.140**	**24.833.686**	**41.696**	**1.261.864**	**22.842.594**	**50.031.980**	**62.980.170**
- current accounts	-	3.536	18.042.504	-	-	21.486.766	39.532.806	52.711.845
- future loans and receivables	-		1.770.420	-	-	131.873	1.902.293	1.628.212
- loans and receivables purchased outright	-			-	-	-	-	-
- loans and receivables purchased for less than their original value	-			-	-	-	-	-
- other financing	-	1.048.604	5.020.762	41.696	1.261.864	1.223.955	8.596.881	8.640.113
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special purpose loans	-	-	-	-	-	-	-	-
- salary-backed loans	-	-	-	-	-	-	-	-
4. Pawn loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	-	**1.052.140**	**24.833.686**	**41.696**	**1.261.864**	**22.842.594**	**50.031.980**	**62.980.170**

19.2 Other information

Breakdown of interest and similar expense

	Amount
Current account overdrafts	(56.385)
Advances under reserve	(47.773)
Hot money	(3.582.689)
Foreign currency advances	(348.234)
Prior year expense and other interest	(29.889)
Total	**(4.064.970)**

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

	31/12/2016			31/12/2015		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	**1.822.124.090**	**7.467.375**	**1.814.656.715**	**1.490.070.883**	**10.890.515**	**1.479.180.368**
- exposures to assignors (with recourse)	1.525.871.049	6.437.553	1.519.433.496	1.475.123.060	10.807.429	1.464.315.631
- assignments of future loans and receivables	104.065.686	499.601	103.566.085	97.239.347	850.267	96.389.080
- other	1.421.805.363	5.937.952	1.415.867.411	1.377.883.713	9.957.162	1.367.926.551
- exposures to assigned debtors (without recourse)	296.253.041	1.029.822	295.223.219	14.947.823	83.086	14.864.737
2. Impaired assets	**56.931.121**	**38.221.949**	**18.709.172**	**74.771.715**	**46.494.433**	**28.277.282**
2.1 Non-performing exposures	**30.919.231**	**26.893.698**	**4.025.533**	**30.067.720**	**28.310.527**	**1.757.193**
- exposures to assignors (with recourse)	25.996.358	21.970.825	4.025.533	24.621.623	22.864.430	1.757.193
- assignments of future loans and receivables	918.472	827.923	90.549	469.495	393.800	75.695
- other	25.077.886	21.142.902	3.934.984	24.152.128	22.470.630	1.681.498
- exposures to assigned debtors (without recourse)	4.922.873	4.922.873	-	5.446.097	5.446.097	-
- purchased for less than their nominal amount	53.142	53.142	-	82.169	82.169	-
- other	4.869.731	4.869.731	-	5.363.928	5.363.928	-
2.2 Unlikely to pay exposures	**24.431.522**	**11.185.622**	**13.245.900**	**42.011.203**	**17.941.557**	**24.069.646**
- exposures to assignors (with recourse)	10.038.235	5.242.459	4.795.776	27.926.477	12.086.450	15.840.027
- assignments of future loans and receivables	131.197	124.612	6.585	761.617	738.856	22.761
- other	9.907.038	5.117.847	4.789.191	27.164.860	11.347.594	15.817.266
- exposures to assigned debtors (without recourse)	14.393.287	5.943.163	8.450.124	14.084.726	5.855.107	8.229.619
- purchased for less than their nominal amount	2.675	2.675	-	8.242	8.242	-
- other	14.390.612	5.940.488	8.450.124	14.076.484	5.846.865	8.229.619
2.3 Impaired past due exposures	**1.580.368**	**142.629**	**1.437.739**	**2.692.792**	**242.349**	**2.450.443**
- exposures to assignors (with recourse)	1.449.815	130.880	1.318.935	2.518.428	226.658	2.291.770
- assignments of future receivables	-	-	-	-	-	-
- other	1.449.815	130.880	1.318.935	2.518.428	226.658	2.291.770
- exposures to assigned debtors (without recourse)	130.553	11.749	118.804	174.364	15.691	158.673
- purchased for less than their nominal amount	-	-	-	-	-	-
- other	130.553	11.749	118.804	174.364	15.691	158.673
Total	**1.879.055.211**	**45.689.324**	**1.833.365.887**	**1.564.842.598**	**57.384.948**	**1.507.457.650**

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.

	31/12/2016			31/12/2015		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	239.552.011	1.148.554	238.403.457	37.029.297	216.919	36.812.378
2. Impaired assets	1.469.963	1.383.827	86.136	1.469.963	1.385.208	84.755
2.1 Non-performing exposures	1.178.699	1.121.284	57.415	1.178.699	1.121.369	57.330
2.2 Unlikely to pay exposures	291.264	262.543	28.721	291.264	263.839	27.425
2.3 Impaired past due exposures	-	-	-	-	-	-
Total	**241.021.974**	**2.532.381**	**238.489.593**	**38.499.260**	**1.602.127**	**36.897.133**

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”

	31/12/2016		31/12/2015	
	Advances	Outstanding	Advances	Outstanding
- on demand	193.989.200	422.245.200	131.748.483	321.010.316
- up to 3 months	958.065.033	1.332.976.322	1.119.649.326	1.602.452.829
- from 3 to 6 months	222.528.609	350.528.132	105.410.350	243.477.262
- from 6 months to 1 year	45.902.193	73.665.112	21.651.176	21.035.235
- after 1 year	109.088.705	21.523.178	105.745.286	16.018.196
- open term	-	-	-	-
Total	**1.529.573.740**	**2.200.937.944**	**1.484.204.621**	**2.203.993.838**

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 €193,861,469 at the reporting date.

B.2.2 – Factoring transactions without recourse: exposures

	Exposures	
	31/12/2016	31/12/2015
- on demand	20.687.866	2.503.891
- up to 3 months	156.224.062	11.725.270
- from 3 to 6 months	33.204.570	802.083
- from 6 months to 1 year	93.281.381	8.062.354
- after 1 year	394.268	159.431
- open term	-	-
Total	**303.792.147**	**23.253.029**

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					
	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	Closing impairment losses
Individual impairment losses on impaired assets	**46.494.433**	**29.686.907**	**-**	**5.882.274**	**-**	**7.338.200**	**-**	**6.149.562**	**30.353.903**	**-**	**38.221.949**
Exposures to assignors	**35.177.538**	**28.837.652**	**-**	**5.684.189**	**-**	**6.838.067**	**-**	**5.947.532**	**29.569.616**	**-**	**27.344.164**
- Non-performing exposures	22.864.430	27.101.146	-	4.934.604	-	3.583.050	-	740.885	28.605.420	-	21.970.825
- Unlikely to pay exposures	12.086.450	1.631.020	-	743.659	-	3.253.849	-	5.000.625	964.196	-	5.242.459
- Impaired past due exposures	226.658	105.486	-	5.926	-	1.168	-	206.022	-	-	130.880
Exposures to assigned debtors	**11.316.895**	**849.255**	**-**	**198.085**	**-**	**500.133**	**-**	**202.030**	**784.287**	**-**	**10.877.785**
- Non-performing exposures	5.446.097	336.998	-	177.594	-	406.706	-	20.491	610.619	-	4.922.873
- Unlikely to pay exposures	5.855.107	512.257	-	20.491	-	93.427	-	177.597	173.668	-	5.943.163
- Impaired past due exposures	15.691	-	-	-	-	-	-	3.942	-	-	11.749
Collective impairment losses on other assets	**10.890.515**	**942.792**	**-**	**435.707**	**-**	**4.633.220**	**-**	**168.419**	**-**	**-**	**7.467.375**
- Exposures to assignors	10.807.429	-	-	431.763	-	4.633.220	-	168.419	-	-	6.437.553
- Exposures to assigned debtors	83.086	942.792	-	3.944	-	-	-	-	-	-	1.029.822
Total	**57.384.948**	**30.629.699**	**-**	**6.317.981**	**-**	**11.971.420**	**-**	**6.317.981**	**30.353.903**	**-**	**45.689.324**

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.

Voce	Increases					Decreases					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	**1.385.209**	**-**	**-**	**-**	**-**	**1.382**	**-**	**-**	**-**	**-**	**1.383.827**
- Non-performing exposures	1.121.370	-	-	-	-	86	-	-	-	-	1.121.284
- Unlikely to pay exposures	263.839	-	-	-	-	1.296	-	-	-	-	262.543
- Impaired past due exposures	-	-	-	-	-	-	-	-	-	-	-
Collective impairment losses on other assets	**216.919**	**931.635**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.148.554**
- Exposures to assignors	216.919	931.635	-	-	-	-	-	-	-	-	1.148.554
Total	**1.602.128**	**931.635**	**-**	**-**	**-**	**1.382**	**-**	**-**	**-**	**-**	**2.532.381**

B.4 – Other information

B.4.1 – Turnover of assigned loans and receivables

	31/12/2016	31/12/2015
Transactions without recourse	**1.926.132.592**	**138.808.772**
- including: purchased for less than their nominal amount	-	-
Transactions with recourse	**8.417.627.219**	**9.147.817.745**
Total	**10.343.759.811**	**9.286.626.517**

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”

	31/12/2016	31/12/2015
Without recourse	-	-
With recourse	72.294.197	37.671.956
	72.294.197	**37.671.956**

B.4.2 – Collection services

The company did not perform collection only services in 2016 and 2015.

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

	31/12/2016	31/12/2015
- Contracts to purchase future loans and receivables during the year	125.747.913	258.781.107
- Loans and receivables at the reporting date	374.545.255	398.541.268

D. – Guarantees given and commitments

D.1 – Breakdown of guarantees given and commitments

	31/12/2016	31/12/2015
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	**228.000.160**	**290.238.127**
a) Banks	-	-
i) certain use	-	-
ii) uncertain use	-	-
b) Financial institutions	-	-
i) certain use	-	-
ii) uncertain use	-	-
c) Customers	228.000.160	290.238.127
i) certain use	83.844	203.737
ii) uncertain use	227.916.316	290.034.390
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	**228.000.160**	**290.238.127**

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 €227,916,316 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 positions 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

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
1. Available-for-sale financial assets	-	-	-	-	-	-
2. Held-to-maturity investments	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	17.627	16.925.959	16.943.586
4. Loans and receivables with financial institutions	-	29.169	-	-	86.182.709	86.211.878
5. Loans and receivables with customers	4.082.957	13.599.256	1.479.646	106.729.665	1.931.110.287	2.057.001.811
6. Financial assets at fair value through profit or loss	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2016	**4.082.957**	**13.628.425**	**1.479.646**	**106.747.292**	**2.034.218.955**	**2.160.157.275**
Total 31/12/2015	**1.814.530**	**24.387.344**	**2.471.185**	**212.762.056**	**1.354.924.130**	**1.596.359.245**

	Assets with poor credit quality	Other assets	Total
1. Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	-
Total 31/12/2016	**-**	**-**	**-**
Total 31/12/2015	**-**	**-**	**-**

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	133.870	-	1.457.580	30.999.094	-	28.507.587	-	4.082.957
- Including: forborne exposures	-	-	-	1.057	-	1.057	-	-
b) Unlikely to pay exposures	4.882.769	585.714	11.677.675	15.795.358	-	19.342.260	-	13.599.256
- Including: forborne exposures	4.348.170	2.150	8.658.077	317.587	-	10.222.121	-	3.103.863
c) Impaired past due exposures	1.338.027	15.121	26.841	246.430	-	146.773	-	1.479.646
- Including: forborne exposures	-	-	-	-	-	-	-	-
d) Unpaired past due exposures	-	-	-	-	107.081.917	-	352.252	106.729.665
- including: forborne exposures					616.292	-	3.870	612.422
e) Other assets	-	-	-	-	1.939.634.643	-	8.524.356	1.931.110.287
- including: forborne exposures	-	-	-	-	400	-	3	397
TOTAL A	**6.354.666**	**600.835**	**13.162.096**	**47.040.882**	**2.046.716.560**	**47.996.620**	**8.876.608**	**2.057.001.811**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	204.159	-	-	-	-	120.315	-	83.844
b) Not impaired	-	-	-	-	227.916.316	-	-	227.916.316
TOTAL B	**204.159**				**227.916.316**	**120.315**	**-**	**228.000.160**
TOTAL A+B	**6.558.825**	**600.835**	**13.162.096**	**47.040.882**	**2.274.632.876**	**48.116.935**	**8.876.608**	**2.285.001.971**

The caption “Unimpaired past due exposures” comprises:

Types/Exposures/Amounts	Gross amount	Individual impairment	Collective impairment	Carrying exposure
- up to 3 months	104.987.097	-	341.570	104.645.527
- from 3 to 6 months	935.416	-	4.172	931.244
- from 6 months to 1 year	355.679	-	1.581	354.098
- after 1 year	803.725	-	4.929	798.796
Total	**107.081.917**	**-**	**352.252**	**106.729.665**

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							
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year	Performing			
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing exposures	-	-	-	-	-	-	-	-
- Including: forborne exposures	-	-	-	-	-	-	-	-
b) Unlikely to pay exposures	-	-	4.547	291.264	-	266.642	-	29.169
- Including: forborne exposures	-	-	-	-	-	-	-	-
c) Impaired past due exposures	-	-	-	-	-	-	-	-
- Including: forborne exposures	-	-	-	-	-	-	-	-
d) Unimpaired past due exposures	-	-	-	-	17.636	-	9	17.627
- Including: forborne exposures	-	-	-	-	-	-	-	-
e) Other assets	-	-	-	-	103.185.444	-	76.776	103.108.668
- Including: forborne exposures	-	-	-	-	-	-	-	-
TOTAL A	**-**	**-**	**4.547**	**291.264**	**103.203.080**	**266.642**	**76.785**	**103.155.464**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-	-	-	-	-
b) Not impaired	-	-	-	-	-	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**-**	**-**	**4.547**	**291.264**	**103.203.080**	**266.642**	**76.785**	**103.155.464**

The caption “Unimpaired past due exposures” comprises:

	Gross amount	Individual impairment	Collective impairment	Carrying amount
- up to 3 months	17.636	-	9	17.627
- from 3 to 6 months	-	-	-	-
- from 6 months to 1 year	-	-	-	-
- after 1 year	-	-	-	.
Total	**17.636**	**-**	**9**	**17.627**

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	-	**8.038.836**	-	-	-	-	**2.152.118.439**	**2.160.157.275**
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	-	-	-	-	-	-	-	-
D. Commitments to grant funds	-	**13.416.506**	-	-	-	-	**214.583.654**	**228.000.160**
E. Other	-	-	-	-	-	-	-	-
Total	-	**21.455.342**	-	-	-	-	**2.366.702.093**	**2.388.157.435**

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

	Rating class	Rating	Rating Italy at 31/12/2016
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	4.082.957	28.507.587	X	-	-	X
Of which are subject to concessions											1.057				
A.2 Unlikely to pay exposures	8.038.836	4.661.164	X	-	-	X	-	-	X	4.754.757	14.439.474	X	805.663	241.622	X
Of which are subject to concessions										2.304.422	9.983.157		799.441	238.964	
A.3 Impaired past due exposures	-	-	X	124.512	12.313	X	-	-	X	1.355.134	134.460	X	-	-	X
Of which are subject to concessions															
A.4 Other exposures	-	-	-	3.268.030	X	11.232	-	X	-	2.033.809.646	X	8.864.375	762.276	X	1.001
Of which are subject to concessions										612.819		3.873			
Total A	**8.038.836**	**4.661.164**	**-**	**3.392.542**	**12.313**	**11.232**	**-**	**-**	**-**	**2.044.002.494**	**43.081.521**	**8.864.375**	**1.567.939**	**241.622**	**1.001**
B. Off-statement of financial position															
B.1 Non-performing exposures	-	-	X	-	-	X	-	-	X	-	10.761	X	-	-	X
B.2 Unlikely to pay exposures	-	-	X	-	-	X	-	-	X	78.180	109.554	X	-	-	X
B.3 Impaired past due exposures	-	-	X	-	-	X	-	-	X	5.664	-	X	-	-	X
B.4 Other exposures	13.416.506	-	X	84	-	X	-	-	X	213.451.951	-	X	1.047.775	-	X
Total B	**13.416.506**	**-**	**-**	**84**	**-**	**-**	**-**	**-**	**-**	**213.535.795**	**120.315**	**-**	**1.047.775**	**-**	**-**
Total 31/12/2016	**21.455.342**	**4.661.164**	**-**	**3.392.626**	**12.313**	**11.232**				**2.257.538.289**	**43.201.836**	**8.864.375**	**2.615.714**	**241.622**	**1.001**
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**

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".

Esposizioni/Aree geografiche	ITALIA		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	3.050.115	27.822.236	1.032.842	685.351	-	-	-	-	-	-
A.2 Unlikely to pay exposures	13.599.256	19.337.884	-	4.376	-	-	-	-	-	-
A.3 Impaired past due exposures	1.478.179	146.628	1.467	145	-	-	-	-	-	-
A.4 Other exposures	1.834.484.863	8.361.440	153.381.608	488.649	-	-	-	-	49.973.481	26.519
Total A	**1.852.612.413**	**55.668.188**	**154.415.917**	**1.178.521**	**-**	**-**	**-**	**-**	**49.973.481**	**26.519**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	10.761	-	-	-	-	-	-	-	-
B.2 Unlikely to pay exposures	78.180	109.554	-	-	-	-	-	-	-	-
B.3 Impaired past due exposures	5.664	-	-	-	-	-	-	-	-	-
B.4 Other exposures	184.545.159	-	38.711.134	-	227.223	-	3.064.205	-	1.368.595	-
Total B	**184.629.003**	**120.315**	**38.711.134**	**-**	**227.223**	**-**	**3.064.205**	**-**	**1.368.595**	**-**
Total 31/12/2016	**2.037.241.416**	**55.788.503**	**193.127.051**	**1.178.521**	**227.223**	**-**	**3.064.205**	**-**	**51.342.076**	**26.519**
Total 31/12/2015	**1.587.365.659**	**66.353.731**	**225.521.032**	**986.061**	**717.668**	**18**	**1.963.930**	**-**	**16.183**	**-**

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

- Ethiopia for for on-statement of financial position exposures;
- Australia €1,366,864 and Nuova Caledonia €1,731 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)

31/12/2016	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	362.895	9.674.725	245.208	2.145.266	126.918	2.241.725	2.311.381	13.171.118	3.713	589.402
Unlikely to pay exposures	4.058.813	3.692.048	381.951	905.822	8.516.770	13.576.056	380.296	663.368	261.426	500.590
Impaired past due exposures	1.077.608	107.013	208.847	20.655	32.582	3.222	133.902	13.242	25.240	2.496
Other transactions	1.026.517.563	4.185.005	214.835.234	1.215.332	452.356.373	2.255.609	37.617.795	180.195	103.157.898	525.299
Total	**1.032.016.879**	**17.658.791**	**215.671.240**	**4.287.075**	**461.032.643**	**18.076.612**	**40.443.374**	**14.027.923**	**103.448.277**	**1.617.787**

3.3 Large exposures

	31/12/2016	31/12/2015
a) Carrying amount	1.207.753.756	794.010.293
b) Weighted amount	945.870.421	591.945.714
c) Number	23	14

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.
By subscribing into the new Financial Broker official List on 23/05/2016, the margins related to the revocable trusts granted to customers are also included in the Large exposure exhibit. This is the main factor for increments in the amount and number.

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 2016, no counterparties exceeded this limit as the parent issued sureties to cover the excess of the individual limit for one 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 (re-pricing 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	**788.712.525**	**1.100.164.967**	**69.249.926**	**93.882.889**	**6.898.208**	**1.810.101**	**-**	**5.827.838**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	788.712.525	1.100.138.573	69.249.926	93.882.889	6.898.208	1.810.101	-	-
1.3 Other assets	-	26.394	-	-	-	-	-	5.827.838
2. Liabilities	**152.027.207**	**1.717.111.652**	**4.254**	**-**	**-**	**-**	**-**	**12.357.948**
2.1 Financial liabilities	152.027.207	1.717.111.652	4.254	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-		-	-	-	-	-	12.357.948
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 (re-pricing 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	**4.843.834**	**73.821.049**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	4.843.834	73.821.049	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**22.108**	**78.754.964**	**-**	**-**				**8.500**
2.1 Financial liabilities	22.108	78.754.964	-	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	8.500
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 (re-pricing 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	**47.476**	**16.139.053**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	47.476	16.139.053	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**1.266**	**16.215.327**	**-**	**-**	**-**	**-**	**-**	**38**
2.1 Financial liabilities	1.266	16.215.327	-	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	38
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 (re-pricing 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	**279.341**	**3.988.721**	**345.579**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	279.341	3.988.721	345.579	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**7.118**	**4.574.011**	**9.149**	**-**	**-**	**-**	**-**	**1.834**
2.1 Financial liabilities	7.118	4.574.011	9.149	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	1.834
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	**78.664.883**	**4.611.890**	**18**	**-**	**16.186.529**	**1.733**
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Loans and receivables	78.664.883	4.611.890	18	-	16.186.529	1.733
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-
3. Financial liabilities	**78.777.072**	**4.590.278**	**-**	**-**	**16.216.593**	**-**
3.1 Loans and borrowings	78.777.072	4.590.278	-	-	16.216.593	-
3.2 Debt instruments	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**8.500**	**1.810**	**-**	**-**	**38**	**24**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**78.664.883**	**4.611.890**	**18**	**-**	**16.186.529**	**1.733**
Total liabilities	**78.785.572**	**4.592.088**	**-**	**-**	**16.216.631**	**24**
Difference (+/-)	**-120.689**	**19.802**	**18**	**-**	**-30.102**	**1.709**

3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of operational risk

Operational risk, in accordance with the Basel Committee's definition, is the risk of losses resulting from inadequacy or malfunction of procedures, human resources and internal systems, or from exogenous events.
Operational risk also includes legal risk while strategic risks and reputation are excluded.
Operational risks are managed both at Parent Company level and at individual level by the Factorit Risk Management Function.
Based on the Group's operational risk management policy and in line with the principle of proportionality, the identification and evaluation of operational risks, including through Risk Self-Assessment techniques, of the collection and analysis of loss data (Loss Data Collection - LDC) and mitigating operational risks.
During 2016, as part of the strengthening of the Operational Risk Management (ORM) framework, the Parent Company promoted the following actions:

- **upgrade of the Risk Self Assessment (RSA) system** with the aim of achieving a more effective operational risk identification system to which Factorit participated in the competence part.
- **review of loss recognition process, Loss Data Collection – LDC**, with particular attention to collecting information about legal risks regarding provisions for lawsuits.

In support of the census activity, the use of applications already in use with the Parent Company was planned: GIS (spending commitment management), and Sphera new form and new layout made available to Factorit in December 2016.
For measuring the capital requirement against the Operational Risk, Factorit adopts the BIA - Basic Indicator Approach proposed by the Supervisory Authority. The methodological rules for the calculation are defined in accordance with the Parent Company's time-to-market guidelines.

Operational losses feeds the statistics referred to:

- **Italian Database on Operative Losses (DIPO)**: consortium initiative of the Italian Banking Association (ABI) aiming to collect data on operating losses suffered by participating intermediaries
- **Government Database of Operating Risks in Factoring business (GRIFO)**: a project promoted by the intermediary association of factoring (ASSIFACT), which includes the collection and retention of operational loss data in order to form a common database for associates.

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

1. 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	**376.386.859**	**109.182.239**	**108.456.167**	**346.349.160**	**585.474.608**	**270.762.222**	**147.113.574**	**96.683.864**	**32.908.930**	**2.303.308**	**6.177.838**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	376.386.859	109.155.845	108.456.167	346.349.160	585.474.608	270.762.222	147.113.574	96.683.864	32.908.930	2.303.308	-
A.4 Other assets	-	26.394	-	-	-	-	-	-	-	-	6.177.838
Liabilities	**152.020.729**	**10.073.180**	**18.868.763**	**1.640.673.949**	**48.824.137**	**9.863**	**11.030.440**	**-**	**-**	**-**	**-**
B.1 Due to	152.020.729	10.073.180	18.868.763	1.639.346.441	48.824.137	9.863	-	-	-	-	-
- Banks	149.435.412	10.073.180	18.868.763	1.639.346.441	48.823.267	-	-	-	-	-	-
- Financial institutions	154.753	-	-	-	-	-	-	-	-	-	-
- Customers	2.430.564	-	-	-	870	9.863	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	1.327.508	-	-	11.030.440	-	-	-	-
Off-statement of financial position transactions	**20.019.208**	**6.995.862**	**19.045.283**	**35.820.996**	**76.723.605**	**46.710.759**	**14.634.564**	**1.225.792**	**-**	**-**	**-**
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	20.019.208	6.995.862	19.045.283	35.820.996	76.723.605	46.710.759	14.634.564	1.225.792	-	-	-
- Long positions									-	-	-
- Short positions	20.019.208	6.995.862	19.045.283	35.820.996	76.723.605	46.710.759	14.634.564	1.225.792	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

With respect to the liabilities, deposits with banks include € 1,660,193,664 with the Parent and €129,734,558 with Banco BPM 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	**4.855.292**	**13.082.432**	**4.119.872**	**42.772.686**	**14.160.731**	**-**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	4.855.292	13.082.432	4.119.872	42.772.686	14.160.731	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**22.108**	**-**	**-**	**52.074.590**	**26.680.374**	**-**	**8.500**	**-**	**-**	**-**	**-**
B.1 Due to	-	-	-	52.074.590	26.680.374	-	-	-	-	-	-
- Banks	22.108	-	-	52.074.590	26.680.374	-	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	8.500	-	-	-	-
Off-statement of financial position transactions	**80.192**	**87.135**	**70.047**	**447.858**	**196.678**	**-**	**-**	**-**	**-**	**-**	**-**
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	80.192	87.135	70.047	447.858	196.678	-	-	-	-	-	-
- Long positions							-	-	-	-	-
- Short positions	80.192	87.135	70.047	447.858	196.678	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

3. Breakdown of financial assets and liabilities by residual contractual maturity - Currency: CHF 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	**47.705**	**-**	**393.181**	**8.777.543**	**7.044.603**	**-**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	47.705	-	393.181	8.777.543	7.044.603	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**1.266**	**-**	**-**	**9.170.724**	**7.044.603**	**-**	**38**	**-**	**-**	**-**	**-**
B.1 Due to	1.266	-	-	9.170.724	7.044.603	-	-	-	-	-	-
- Banks	1.266	-	-	9.170.724	7.044.603	-	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	38	-	-	-	-
Off-statement of financial position transactions	**-**	**-**	**830**	**24.562**	**23.030**	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	830	24.562	23.030	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	830	24.562	23.030	-	-	-	-	-	-
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	**279.565**	-	**539.827**	**876.026**	**2.592.394**	**347.763**	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	279.565	-	539.827	876.026	2.592.394	347.763	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**7.118**	**-**	**539.827**	**811.478**	**3.222.706**	**9.149**	**1.834**	**-**	**-**	**-**	**-**
B.1 Due to	7.118	-	539.827	811.478	3.222.706	9.149	-	-	-	-	-
- Banks	7.118	-	539.827	811.478	3.222.706	9.149	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	1.834	-	-	-	-
Off-statement of financial position transactions	**591.340**	**781.165**	**317.532**	**1.044.046**	**2.921.579**	**238.097**	**-**	**-**	**-**	**-**	**-**
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	591.340	781.165	317.532	1.044.046	2.921.579	238.097	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	591.340	781.165	317.532	1.044.046	2.921.579	238.097	-	-	-	-	-
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)

2007-2012	2013	2014	2015	Totale
62,9	11,0	14,0	11,5	99,4

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

	2016	2015
1. Share capital	**85.000.002**	**85.000.002**
2. Share premium	**11.030.364**	**11.030.364**
3. Reserves	**115.270.549**	**102.670.876**
- income-related	-	-
a) legal	10.873.379	9.835.395
b) statutory	-	-
c) treasury shares	-	-
d) other	99.443.460	87.881.771
- other	4.953.710	4.953.710
4. (Treasury shares)	**-**	**-**
5. Valuation reserves:	**-235.029**	**-175.138**
- 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	-235.029	-175.138
- Portion of revaluation reserves of equity-accounted investees	-	-
6. Equity instruments	**-**	**-**
7. Profit for the year	**3.229.386**	**20.759.673**
Total	**214.295.272**	**219.285.777**

4.2. Own funds and regulatory ratios

4.2.1 Own funds

4.2.1.1 Qualitative disclosure

1. Common Equity Tier 1 – CET1
2. Additional Tier 1 AT1
3. Tier 2 – T2

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

	2016	2015
A. Common Equity Tier 1 (CET1) before application of prudential filters	214.295.272	211.125.779
B. CET1 prudential filters (+/-)		
C. CET1 including the elements to be deducted (A+B)		
Temporary (A +/- B)		
D. Elements to be deducted from CET1	89.145	118.658
E. Total Common Equity Tier 1 (C-D)	-	-
F. Tier 2 capital (T2) before application of prudential filters	214.206.127	211.007.121
G. T2 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)	-	-
O. Tier 3 (T3)	-	-
P. Regulatory capital including T3 (N + O)	-	
Q. Total (F + L + P)	214.206.127	211.007.121

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%.

Until 31 December 2017, financial intermediaries (if not exposed to supervised entities or groups of connected clients in which there is a supervised entity) that assume positions of risk beyond the limit of 25 % of the eligible capital, but in any case within 40% of them, meet a capital requirement for the portion of the risk position above the above limit of 25% ("surplus") calculated as shown in the following table:

Risk Position (% on the capital)	**Surplus weighting within each band**
Da 25% a 30%	200%
Da 30% a 35%	400%
Da 35% a 40%	800%

As of 31.12.2016 the above mentioned surpluses amount to € 17.744.074.

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	
	2016	2015	2016	2015
A. EXPOSURES				
A.1 Credit and counterparty risk	-	-	-	-
1. Standardised method	3.603.941.029	3.690.879.026	1.765.271.308	1.482.882.652
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk	-	-	**105.916.278**	**88.972.959**
B.2 Credit Risk Adjustment Risk				
B.3 Risk of regulation				
B.4 Market Risk	-	-	-	-
1. Standard method	-	-	-	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational Risk	-	-	-	-
1. Basic method	-	-	8.354.026	9.274.809
2. Standardised method	-	-	-	-
3. Advanced method	-	-	-	-
B.6 Other prudential requirements	-	-	**18.161.388**	**410.236**
B.7 Other calculation elements	-	-	-	**-24.664.501**
B.8 Total prudential requirements	-	-	**132.431.692**	**73.993.503**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets	-	-	2.207.194.878	1.233.225.296
C.2 CET1/ Risk-weighted assets (TIER 1 capital ratio)			9,705%	17,11%
C.3 Regulatory capital including TIER 3/Risk-weighted assets (Total capital ratio)			9,705%	17,11%

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 €260 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	3.854.623	(625.237)	3.229.386
Other comprehensive income that will not be reclassified to profit or loss	-	-	-
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	(82.608)	22.717	(59.891)
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	(82.608)	22.717	(59.891)
140. Comprehensive income (captions 10+130)	**3.772.015**	**(602.520)**	**3.169.495**

Section 6 Related party transactions

6.1 Key management personnel's remuneration

Managers: remuneration of €448,231, including salaries of €335,410, bonuses and other incentives of €33,030, non-monetary benefits of €26,191 and fees for the position of managing director of €53,600.

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.p.a.	3.869	129.042.906	7.600.958	669.306
Banca Popolare di Mantova S.p.a.	109.888	-	64.705	22.346
Total	**113.757**	**129.042.906**	**7.665.663**	**691.652**

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.p.a.	51	598.247	1.922.147	228.808	32.984	25.600
Banca Popolare di Mantova S.p.a.	93	-	14.171	22.346	278	-
Total	**144**	**598.247**	**1.936.318**	**251.154**	**33.262**	**25.600**

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	491.298
Ordinary current accounts - Foreign currency	49.730
Total	**541.028**

Due to banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Ordinary current accounts	112.291.495
Hot money	1.500.000.000
Foreign currency advances	46.803.688
Accrued foreign currency advances	7.613
Principal accounts	6.694
Commissions to be paid	1.082.997
Supplier invoices	1.177
Total	**1.660.193.664**

Costs – banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest expense	3.184.013
Fee and commission expense – expense	87.890
Fee and commission expense – factoring	1.082.997
Fee and commission expense – sureties	311.481
Lease expense	209.478
Service contracts	90.000
Directors’ fees	21.360
Seconded personnel	89.752
Total	**5.076.971**

Revenue – banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest income - ordinary current accounts	3.264
Seconded personnel	121.149
Total	**124.413**

Costs – customers

Sinergia Seconda S.r.l.	Amount
Lease expense	1.188.372
Total	**1.188.372**

Pirovano Stelvio S.p.A.	Amount
Hotels and restaurants	879
Total	**879**

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	31/12/2015	31/12/2014
10.	Cash and cash equivalents	96.965.094	108.352.180
20.	Financial assets held for trading	1.851.494.461	2.341.476.201
30.	Financial assets at fair value through profit or loss	158.697.872	88.358.337
40.	Available-for-sale financial assets	6.319.477.580	6.496.843.763
50.	Held-to-maturity investments	125.776.716	148.620.141
60.	Loans and receivables with banks	2.001.898.271	1.591.500.904
70.	Loans and receivables with customers	20.021.406.321	20.535.826.086
80.	Hedging derivatives	-	-
90.	Adjustments to generically-hedged financial assets (+/-)	-	-
100.	Equity investments	488.595.257	411.565.806
110.	Property, equipment and investment property	170.965.705	159.370.059
120.	Intangible assets	12.959.574	11.917.167
	- including: goodwill		
130.	Tax assets	447.243.565	360.228.837
	a) current	61.750.270	8.105.885
	b) deferred	385.493.295	352.122.952
	b1) including: as per Law no. 214/2011	353.003.389	320.197.761
140.	Non-current assets held for sale and disposal groups	-	-
150.	Other assets	322.957.663	319.159.596
	Total assets	**32.018.438.079**	**32.573.219.077**

	Liabilities and equity	31/12/2015	31/12/2014
10.	Due to banks	2.077.164.130	2.305.353.629
20.	Due to customers	23.614.087.733	23.733.700.374
30.	Securities issued	3.013.032.938	3.290.923.515
40.	Financial liabilities held for trading	97.310.098	98.098.533
50.	Financial liabilities at fair value through profit or loss	-	-
60.	Hedging derivatives	-	-
70.	Adjustments to generically-hedged financial liabilities	-	-
80.	Tax liabilities	48.309.394	45.844.815
	a) current	-	-
	b) deferred	48.309.394	45.844.815
90.	Liabilities associated with disposal groups	-	-
100.	Other liabilities	633.552.831	679.296.184
110.	Post-employment benefits	40.864.317	42.441.900
120.	Provisions for risks and charges	159.602.686	156.141.205
	a) pension and similar provisions	117.912.386	117.042.900
	b) other provisions	41.690.300	39.098.305
130.	Valuation reserves	85.111.584	44.266.836
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	735.497.376	665.468.678
170.	Share premium	79.005.128	79.005.128
180.	Share capital	1.360.157.331	1.360.157.331
190.	Treasury shares (-)	-25.321.549	-25.031.162
200.	Profit for the year	100.064.082	97.552.111
	Total liabilities and equity	**32.018.438.079**	**32.573.219.077**

INCOME STATEMENT

		31/12/2015	31/12/2014
10.	Interest and similar income	704.049.473	859.665.284
20.	Interest and similar expense	-224.584.075	-339.105.440
30.	**Net interest income**	**479.465.398**	**520.559.844**
40.	Fee and commission income	264.627.405	257.984.748
50.	Fee and commission expense	-14.837.612	-15.747.499
60.	**Net fee and commission income**	**249.789.793**	**242.237.249**
70.	Dividends and similar income	16.272.895	16.242.011
80.	Net trading income	45.584.573	90.113.864
90.	Net hedging income	-	-
100.	Net gain from sales or repurchases of:	140.033.949	94.154.389
	b) available-for-sale financial assets	-91	95.504.969
	c) held-to-maturity investments	139.926.360	-
	d) financial liabilities	107.680	-1.350.580
110.	Net gain on financial assets and liabilities at fair value through profit or loss	6.293.949	5.186.918
120.	**Total income**	**937.440.557**	**968.494.275**
130.	Net impairment losses on:	-400.487.707	-473.560.652
	a) loans and receivables	-381.403.319	-454.076.144
	b) available-for-sale financial assets	-8.202.923	-19.307.623
	c) held-to-maturity investments	-9.965.039	-
	d) other financial transactions	-916.426	-176.885
140.	**Net financial income**	**536.952.850**	**494.933.623**
150.	Administrative expenses	-434.650.707	-381.864.998
	a) personnel expense	-181.209.011	-175.541.214
	b) other administrative expenses	-253.441.696	-206.323.784
160.	Net accruals to provisions for risks and charges	-2.134.105	3.455.337
170.	Depreciation and net impairment losses on property, equipment and investment property	-13.548.252	-12.750.956
180.	Amortisation and net impairment losses on intangible assets	-12.317.392	-11.913.001
190.	Other operating income, net	69.211.415	70.782.043
200.	**Operating costs**	**-393.439.041**	**-332.291.575**
210.	Net losses on equity investments	577.727	-648.217
220.	Net fair value gains (losses) on property, equipment and investment property and intangible assets	-	-
230.	Impairment losses on goodwill	-	-
240.	Net gain on the sale of investments	7.080	10.768
250.	**Pre-tax profit from continuing operations**	**144.098.616**	**162.004.599**
260.	Income taxes	-44.034.534	-64.452.488
270.	**Post-tax profit from continuing operations**	**100.064.082**	**97.552.111**
280.	Post-tax profit (loss) from discontinued operations	-	-
270.	**Profit for the year**	**100.064.082**	**97.552.111**

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.

Type of service	Service provider	2016 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 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 2016, 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 2016, we note that the Board of Auditors participated in the meeting of March 23, 2016 to approve the 2015 financial statements, and in all nine meetings of the Board of Directors. We can attest that all meetings of the Board of Directors, as well as said shareholders' meetings, were called and held in compliance with the applicable laws. We also note that the Board of Auditors met eleven times during fiscal 2016.

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. In this regard, it becomes particularly important to develop IT and reporting instruments especially designed to provide more effective control of all types of risk.

We have noted that there were no atypical or unusual transactions with group companies, third parties, or related parties. The explanatory note to the financial statements provides a description of the nature and aggregate amount of transactions with related parties, the parent company, and affiliated companies during the year, as well as the financial and economic effects of such.

During the year, we periodically contacted the Supervisory Board, obtaining regular updates on its supervisory activity regarding the proper functioning and appropriateness of the organization, management and control Model pursuant to Leg. Decree 231/2001. This activity did not reveal situations or conduct that would create risks or circumstances that might result in the company's possible administrative liability.

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 faithfully summarizes operating performance and the elements that impacted economic results for the year. Therefore, it complies with the applicable provisions of law and is 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.

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 2016 and the Directors' proposal for allocating net profit.

Milan, March 24, 2017

THE BOARD OF AUDITORS

Dott. Luca Zoani

Dott. Pio Bersani

Dott. Gianerminio Cantalupi

KPMG

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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 2016, 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 43 of Legislative Decree no. 136/15.

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 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 2016 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 43 of Legislative Decree no. 136/15.

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 2016. 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 2016.

Milan, 24 March 2017

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

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