

FARMAFACTORING^{SPA}

Pillar III Disclosure

2012

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INTRODUCTION

Circular 216 of August 5, 1996 – 7th update of July 9, 2007¹ “*Regulatory Instructions for the Financial Intermediaries registered in the Special List*” issued by Bank of Italy requires financial intermediaries registered in the Special List under art. 107 TUB to abide by specific obligations for the periodical disclosure of information regarding capital adequacy, risk exposure and the general characteristics of the systems designed for their identification, measurement and management.

This report, which includes five Tables, illustrates the relative qualitative and quantitative disclosure as at December 31, 2012.

Farmafactoring does not publish Tables that have no content for disclosure.

The word “Company” as used in this report is synonymous with Farmafactoring.

Farmafactoring publishes the disclosure requirements annually on its website www.farmafactoring.it

[1] See First Part, Chapter V, Section XII, page 1 – Disclosure.

TABLE 1. CAPITAL ADEQUACY

QUALITATIVE DISCLOSURE

a) Farmafactoring constantly assesses its capital structure, developing and utilizing techniques for monitoring and managing regulated risks, assisted also by its internal Risks Committee which is charged with lending support to the board of directors.

From the standpoint of prudential supervision, the absorption of capital deriving from regulated risks is determined on the basis of the current reporting regulations of Bank of Italy.

Regulatory capital is the first line of defense against risks associated with overall financial activities and constitutes the main parameter of reference for the assessment of the capital adequacy of the Company.

Regulatory capital of the Company is composed of Tier 1 Capital and Tier 2 Capital, net of items to be deducted and prudential filters.

Compliance with capital adequacy limits, at the level of the Tier 1 Capital Ratio and the Total Capital Ratio, is constantly monitored by the competent corporate bodies.

The Tier 1 Capital Ratio is given by the ratio of Tier 1 capital to the amount of risk-weighted assets. The Total Capital Ratio is given by the ratio of regulatory capital to the amount of risk-weighted assets.

Risk-weighted assets are determined as the product of the total capital requirements and 16.67 (the inverse of the minimum obligatory ratio of 6%).

For *Pillar I* risks, the Company uses the "Standardized" approach for the measurement of credit risk and the "Basic" indicator approach for operational risk.

As concerns risks not included in *Pillar I*, and with particular reference to the risk of fluctuations in interest rates, the Company uses adequate organizational controls and internal methodologies. In particular, through the Risks Committee, the Company analyzes on a quarterly basis every type of risk that can be relevant to the business and adopts the most appropriate containment solutions.

In order to measure the overall internal capital, the Company adopts a building block approach which calls for determining the internal capital relating to the individual risks.

Farmafactoring's total exposure to risks at December 31, 2012, and prospectively at December 31, 2013, relevant in relation to its business, is more than adequate on the basis of the level of capital and the profile of risk identified, notwithstanding the downgrade of Italy's sovereign credit rating in

July 2012 which lowered the credit quality class from class 2 to class 3, with a consequent worsening of the risk weight coefficients of the receivables portfolios held. Specifically, the risk weight of the receivables from the Public Administration went from 50% to 100%, thus causing an increase in the amount of risk-weighted assets.

The downgrade of Italy's rating in October 2011 had already caused the credit quality class to be lowered from class 1 to class 2, generating an increase in the risk weight of the receivables from the Public Administration from 20% to 50%.

The regulatory capital ratios are 11.4% for both the Tier 1 Capital Ratio and Total Capital Ratio and higher than the existing regulatory limit and the average of the sector.

QUANTITATIVE DISCLOSURE

All amounts are expressed in thousands of euros.

b) *Credit risk capital requirement.*

Items / Amounts	Total 12.31.2012
Credit risk	79,056

c) *Market risk capital requirement.*

Not relevant. The Company does not have a trading portfolio

d) *Operational risk capital requirement.*

Items / Amounts	Total 12.31.2012
Operational risk	14,511

e) *Amount of regulatory capital divided between:*
i) *TIER 1 capital*

<i>Items / Amounts</i>	<i>Total 12.31.2012</i>
TIER 1 capital before application of prudential filters	180,198
Prudential filters of TIER 1 capital	0
TIER 1 capital gross of items to be deducted	180,198
Items to be deducted from TIER 1 capital	(3,147)
Total TIER 1 capital	177,051

ii) *TIER 2 capital*

<i>Items / Amounts</i>	<i>Total 12.31.2012</i>
TIER 2 capital before application of prudential filters	3,823
Prudential filters of TIER 2 capital	0
TIER 2 capital gross of items to be deducted	3,823
Items to be deducted from TIER 2 capital	(3,147)
Total TIER 2 capital	676

iii) *Total regulatory capital*

<i>Items / Amounts</i>	<i>Total 12.31.2012</i>
Total TIER 1 capital	177,051
Total TIER 2 capital	676
Regulatory capital	177,727

f) *Capital ratios.*

<i>Items / Amounts</i>	<i>Total 12.31.2012</i>
Tier 1 Capital Ratio (%)	11.4%
Total Capital Ratio (%)	11.4%

g) *Amount of Tier 3 Regulatory Capital.*

Not applicable. At December 31, 2012, regulatory capital does not include capital elements quantifiable as Tier 3.

TABLE 2. CREDIT RISK: GENERAL DISCLOSURE

QUALITATIVE DISCLOSURE

a) Credit risk represents the possibility of losses owing to default or insolvency of the counterparty. This is associated with the possibility that a sudden change in the credit quality of a counterparty, towards which there is an exposure, will generate a corresponding reduction in the amount of the credit position.

i) According to the provisions of *“Instructions for the Preparation of the Financial Statements of Financial Intermediaries ex Art. 107 of TUB, Payment Institutions, IMELs, SGRs and SIMs”* written by Bank of Italy and issued on March 13, 2012, and successive updates, and the Regulatory Reporting process in force, defined in Bank of Italy’s Circular 217 of August 5, 1996 - 10th update of July 24, 2012 *“Manual for the Compilation of Regulatory Reporting for Financial Intermediaries, Payment Institutions and IMELs”*, Farmafactoring has divided its receivables from customers between *“performing”* and *“impaired”*.

“Performing assets” include:

- Past due not impaired exposures. Exposures past due more than 90 days, but which are not considered impaired according to prudential supervision regulations, and those past due and/or overdrawn not more than 90 days as defined by Bank of Italy’s Communication of June 1, 2012 on the subject of “Past due and/or overdrawn impaired exposures”.
- Other exposures.

“Impaired assets” include:

- Past due exposures. These are exposures with central administrations and central banks, territorial entities, public sector entities, non-profit entities and companies which at December 31, 2012 are past due more than 90 days.
- Restructured exposures. These are exposures for which an intermediary, owing to the deterioration of the economic and financial conditions of the debtor, agrees to modify the original contract terms which give rise to a loss.

• Doubtful exposures. These are exposures with parties that are in temporary situations of objective difficulty which are expected to pass within a reasonable period of time.

Doubtful exposures also include so-called “objective” doubtful receivables, that is, exposures that present the following conditions:

- do not belong to the central administrations and central banks, territorial entities and public sector entities portfolios;
- are past due on a continuing basis more than 270 days;
- total amount of past due exposures represents a portion equal to at least 10% of the entire exposure.

- Non-performing exposures. These are exposures with parties that are in a state of insolvency or basically in similar situations, regardless of any provisions for loss set aside by the Company.

ii) With regard to the method adopted to determine impairment losses for accounting purposes, Farmafactoring performed an impairment test on the receivables portfolio in order to identify any impairment of its financial assets.

This analysis made it possible to distinguish between performing and non-performing receivables; included in the non-performing category are financial assets that show an individual risk of loss, while the remaining financial assets are classified in the performing category.

Performing receivables include receivables due from customers which, although past due more than 90 days, show no objective indication of impairment at an individual level.

Two different valuation approaches were thus adopted according to the classification of exposure.

With regard to non-performing receivables, the Company determines any impairment losses to be recognized by assessing the individual credit positions on the basis of internal assessments and the advice of external legal advisors.

With regard to performing receivables, as in previous years, at the date of the interim and year-end financial statements, the Company, in accordance with IAS 39, carried out a collective impairment test of performing receivables in order to monitor the quantitative content.

In order to determine the Loss Given Default (LGD), the Company assumed the value proposed by the "Basel Accord" for credits not covered by real guarantees from sovereign states, companies and banks as being equal to 45% of the Probability of Default (PD) found.

The collective assessment of the PD was performed by assigning a rating to the debtors (ASLs - Local Health Service Agencies / AOs - Hospital Companies), corresponding to the credit rating for the particular region to which the debtors belong, assigned by the major rating agencies.

Such analysis and the manner of calculation were formulated when the transition was made to international financial reporting accounting standards. Such calculation did not produce significant data since the PD attributed to the regions based on the rating led to a modest impairment according to the impairment test.

Starting from July 2012, the input parameters for the collective impairment model led, as a result of the continual downgrades of Italy and the consequent downgrade of the regions occurred from the fourth quarter of 2011, to a higher PD calculation compared with the past and, consequently, to a collective impairment loss that is no longer negligible. Specifically, at December 31, 2012, the impairment test indicated an impairment loss of about Euros 1.7 million. Accordingly, the Company recorded a collective impairment charge on the portfolio for the same amount.

QUANTITATIVE DISCLOSURE

All amounts are expressed in thousands of euros.

b) Gross credit exposure relating to the period of reference, divided by major type of exposure and counterparty.

Types of exposures / Counterparties	Due from customers			Due from banks			Due from financial instit.			Total		
	Gross amount	Impairm. losses	Net amount	Gross amount	Impairm. losses	Net amount	Gross amount	Impairm. losses	Net amount	Gross amount	Impairm. losses	Net amount
1. Performing exposures												
1.1 Past due not impaired	187,145	(266)	186,879							187,145	(266)	186,879
1.2 Other exposures	1,030,771	(1,451)	1,029,320	101,269		101,269	1,226		1,226	1,133,266	(1,451)	1,131,815
2. Impaired assets												
2.1 Non-performing	14,102	(2,281)	11,820							14,102	(2,281)	11,820
2.2 Doubtful	2,898	(4)	2,894							2,898	(4)	2,894
2.3 Restructured exposures												
2.4 Past due exposures	8,273	(12)	8,261							8,273	(12)	8,261
Total	1,243,189	(4,014)	1,239,174	101,269		101,269	1,226		1,226	1,345,683	(4,014)	1,341,669

c) Distribution by significant geographic areas of exposure, divided by major type of exposure and, if necessary, additional details.

Types of exposures / Geographic areas	Italy					Rest of the World	Total
	Northwest	Northeast	Central	South	Islands		
1. Receivables due from customers	200,377	222,649	396,827	306,331	108,490	4,500	1,239,174
- Non-recourse exposures							
- Performing - Past due not impaired	12,432	13,587	51,140	96,591	13,130		186,879
- Performing - Other exposures	172,316	208,761	338,880	204,224	95,323		1,019,504
- Non-performing	11,820						11,820
- Doubtful	483		2,411				2,894
- Restructured exposures							
- Past due exposures	25	30	2,937	5,233	36		8,261
- Recourse exposures							
- Performing							0
- Other exposures with customers							
- Performing	3,301	270	1,460	284	1	4,500	9,816
2. Receivables due from banks	82,708	75	17,710	8	768		101,269
- Performing	82,708	75	17,710	8	768		101,269
3. Receivables due from financial institutions	1,226						1,226
- Performing	1,226						1,226
Total	284,311	222,724	414,537	306,339	109,258	4,500	1,341,669

d) Distribution by economic sectors or by type of counterparty of the exposures, divided by type of exposure and, if necessary, additional details.

Types of exposures / Economic sectors	Public administrations	Financial companies	Non-financial companies	Non-profit institutions serving families	Rest of the world	Total
1. Receivables due from customers	1,214,165		5,450	15,059	4,500	1,239,174
- Non-recourse exposures						
- Performing - Past due not impaired	186,774		47	58		186,879
- Performing - Other exposures	1,019,080		13	411		1,019,504
- Non-performing				11,820		11,820
- Doubtful			124	2,770		2,894
- Restructured exposures						
- Past due exposures	8,261					8,261
- Recourse exposures						
- Performing						0
- Other exposures with customers						
- Performing	50		5,266		4,500	9,816
2. Receivables due from banks		101,269				101,269
- Performing		101,269				101,269
3. Receivables due from financial institutions		1,226				1,226
- Performing		1,226				1,226
Total	1,214,165	102,495	5,450	15,059	4,500	1,341,669

e) Distribution by remaining contract life of the entire portfolio, broken down by type of exposure and, if necessary, additional details.

Types of exposures / Remaining contract life	On demand	To 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
1. Receivables due from customers	188,533	24,394	26,220	119,664	880,363	1,239,174
- Non-recourse exposures						
- Performing	187,282	18,071	25,842	112,188	862,999	1,206,382
- Impaired		2,257	378	2,976	17,364	22,975
- Recourse exposures						
- Performing						0
- Other exposures with customers						
- Performing	1,251	4,066		4,500		9,817
2. Receivables due from banks	101,139				130	101,269
- Performing	101,139				130	101,269
3. Receivables due from financial institutions					1,226	1,226
- Performing					1,226	1,226
Total	289,672	24,394	26,220	119,664	881,719	1,341,669

- f) *By significant economic sector or type of counterparty, the amount of:*
(i) impaired and past due exposures, indicated separately;
(ii) total impairment losses;
(iii) impairment losses recorded in the period.

Types of exposures / Economic sectors	Public Administrations						
	Gross amount at 12.31.2012	Impairment losses	Impairment losses	Impairment reversals	Writeoffs	Impairment losses	Net amount at 12.31.2012
		to 12.31.2011	recorded in 2012	recorded in 2012	recorded in 2012	at 12.31.2012	
1. Receivables due from customers - Performing	187,040	0	(266)	0	0	(266)	186,774
- Non-recourse exposures - Past due not impaired	187,040	0	(266)			(266)	186,774
2. Receivables due from customers - Impaired	10,007	(5,018)	(294)	3,413	154	(1,745)	8,261
- Non-recourse exposures - Non-performing	1,734	(5,018)	(283)	3,413	154	(1,734)	0
- Doubtful							
- Restructured exposures - Past due exposures	8,273	0	(12)			(12)	8,261
Total	197,046	(5,018)	(560)	3,413	154	(2,011)	195,035

Types of exposures / Economic sectors	Non-Financial Companies						
	Gross amount at 12.31.2012	Impairment losses	Impairment losses	Impairment reversals	Writeoffs	Impairment losses	Net amount at 12.31.2012
		to 12.31.2011	recorded in 2012	recorded in 2012	recorded in 2012	at 12.31.2012	
1. Receivables due from customers - Performing	47	0	0	0	0	0	47
- Non-recourse exposures - Past due not impaired	47	0	(0)			(0)	47
2. Receivables due from customers - Impaired	668	0	(544)			(544)	124
- Non-recourse exposures - Non-performing	544	0	(544)			(544)	0
- Doubtful	124	0	0			0	124
- Restructured exposures - Past due exposures	0						0
Total	715	0	(544)	0	0	(544)	171

Types of exposures / Economic sectors	Non-Profit Institutions Serving Families						
	Gross amount at 12.31.2012	Impairment losses	<i>Impairment losses</i>	<i>Impairment reversals</i>	<i>Writeoffs</i>	Impairment losses	Net amount at 12.31.2012
		to 12.31.2011	<i>recorded in 2012</i>	<i>recorded in 2012</i>	<i>recorded in 2012</i>	at 12.31.2012	
1. Receivables due from customers - Performing	58	0	0	0	0	0	58
- Non-recourse exposures							
- Past due not impaired	58	0	(0)			(0)	58
2. Receivables due from customers - Impaired	14,598	0	(8)			(8)	14,590
- Non-recourse exposures							
- Non-performing	11,824	0	(4)			(4)	11,820
- Doubtful	2,774	0	(4)			(4)	2,770
- Restructured exposures							
- Past due exposures							0
Total	14,656	0	(8)	0	0	(8)	14,648
Types of exposures / Economic sectors	Total						
	Gross amount at 12.31.2012	Impairment losses	<i>Impairment losses</i>	<i>Impairment reversals</i>	<i>Writeoffs</i>	Impairment losses	Net amount at 12.31.2012
		to 12.31.2011	<i>recorded in 2012</i>	<i>recorded in 2012</i>	<i>recorded in 2012</i>	at 12.31.2012	
1. Receivables due from customers - Performing	187,145	0	(266)	0	0	(266)	186,879
- Non-recourse exposures							
- Past due not impaired	187,145	0	(266)	0	0	(266)	186,879
2. Receivables due from customers - Impaired	25,273	(5,018)	(846)	3,413	154	(2,297)	22,975
- Non-recourse exposures							
- Non-performing	14,102	(5,018)	(831)	3,413	154	(2,281)	11,820
- Doubtful	2,898	0	(4)	0	0	(4)	2,894
- Restructured exposures							
- Past due exposures	8,273	0	(12)	0	0	(12)	8,261
Total	212,417	(5,018)	(1,112)	3,413	154	(2,563)	209,854

- g)** *By significant geographic areas, the amount of:*
 1) *impaired and past due exposures, indicated separately;*
 2) *impairment losses relating to each geographical area, where possible.*

Types of exposures / Economic sectors	Italy								
	Northwest			Northeast			Central		
	Gross amount at 12.31.2012	Impairm. losses	Net amount at 12.31.2012	Gross amount at 12.31.2012	Impairm. losses	Net amount at 12.31.2012	Gross amount at 12.31.2012	Impairm. losses	Net amount at 12.31.2012
1. Receivables due from customers - Performing	12,449	(18)	12,432	13,607	(19)	13,587	51,212	(73)	51,140
- Non-recourse exposures									
- Past due not impaired	12,449	(18)	12,432	13,607	(19)	13,587	51,212	(73)	51,140
2. Receivables due from customers - Impaired	13,161	(832)	12,329	34	(4)	30	6,750	(1,403)	5,347
- Non-recourse exposures									
- Non-performing	12,652	(831)	11,820	4	(4)	0	1,395	(1,395)	0
- Doubtful	484	(1)	483				2,414	(3)	2,410
- Restructured exposures									
- Past due exposures	25	(0)	25	30	(0)	30	2,941	(4)	2,937
Total	25,610	(850)	24,760	13,641	(23)	13,617	57,963	(1,476)	56,487

Types of exposures / Economic sectors	Italy						Total		
	South			Islands			Gross amount at 12.31.2012	Impairm. losses	Net amount at 12.31.2012
	Gross amount at 12.31.2012	Impairm. losses	Net amount at 12.31.2012	Gross amount at 12.31.2012	Impairm. losses	Net amount at 12.31.2012			
1. Receivables due from customers - Performing	96,728	(137)	96,591	13,149	(19)	13,130	187,145	(266)	186,879
- Non-recourse exposures									
- Past due not impaired	96,728	(137)	96,591	13,149	(19)	13,130	187,145	(266)	186,879
2. Receivables due from customers - Impaired	5,258	(25)	5,233	69	(33)	36	25,273	(2,297)	22,975
- Non-recourse exposures									
- Non-performing	18	(18)	0	33	(33)	0	14,102	(2,281)	11,820
- Doubtful							2,898	(4)	2,894
- Restructured exposures									
- Past due exposures	5,240	(7)	5,233	36	(0)	36	8,273	(12)	8,261
Total	101,986	(162)	101,823	13,218	(52)	13,166	212,417	(2,563)	209,854

- h)** *Change in total impairment losses compared to impaired asset exposures, separately for specific and portfolio impairments. The information includes:*
- i) the description of how impairment losses are determined;*
 - ii) the beginning balance of total impairment losses;*
 - iii) the writeoffs recorded during the year;*
 - iv) the impairment losses recorded during the year;*
 - v) the impairment reversals recorded during the year;*
 - vi) any other adjustments, for example, exchange fluctuations, corporate mergers, acquisitions and divestitures, including transfers between types of impairment losses;*
 - vii) the ending balance of total impairment losses.*
- The writeoffs and impairment reversals charged directly to the income statement are indicated separately.*

i) With regard to the method adopted for determining impairment losses for accounting purposes, Farmafactoring analyzed the credit portfolio, with the aim of identifying any impairment in its financial assets.

This analysis made it possible to distinguish between performing and non-performing receivables; included in the non-performing category are financial assets that show an individual risk of loss, while the remaining financial assets are classified in the performing category.

Performing receivables include receivables due from customers which, although past due more than 90 days, show no objective indication of impairment at an individual level.

Two different valuation approaches were thus adopted according to the classification of exposure.

As regards non-performing receivables, the Company determines any impairment losses to be recognized by assessing the individual credit positions on the basis of internal assessments and the advice of external legal advisors.

As regards performing receivables, the Company, in accordance with IAS 39, carried out a collective impairment test of performing receivables in order to monitor the quantitative content. This resulted in an analytical lump-sum impairment charge on impaired exposures other non-performing exposures of about Euros 16 thousand.

ii), iii), iv), v), and vii) Impairment losses, impairment reversals and writeoffs

Types of exposures / Economic sectors	Beginning impairm. losses	Increases			Decreases				Ending impairm. losses
		Impairm. losses	Transfers from another status	Other increases	Impairm. reversals	Transfers from another status	Writeoffs	Other decreases	
1. Receivables due from customers - Impaired	5,018	846			(3,413)		(154)		2,297
- Non-recourse exposures									
- Non-performing	5,018	831			(3,413)		(154)		2,281
- Doubtful	0	4							4
- Restructured exposures									0
- Past due exposures	0	12							12

In 2012, writeoffs were made directly to the income statements for about Euros 390 thousand.

TABLE 3. CREDIT RISK: DISCLOSURE RELATING TO PORTFOLIOS USING THE STANDARDIZED APPROACH

QUALITATIVE DISCLOSURE

- a) In determining the capital requirement needed to cover credit risk, Farmafactoring uses the “standardized” approach. This approach requires the division of the exposures into various portfolios according to the nature of the counterparty and the application of diversified weighted ratios to each portfolio.

In particular:

- for the “central administrations and central banks” portfolio, the weighting depends on the rating assigned by the ECAs (External Credit Assessment Institution) to the individual States;
- for the “supervised intermediaries” portfolio, the weighting depends on the rating of the State in which the supervised intermediary has its headquarters;
- for the “public sector entities” portfolio, the rules for weighting are the same as those for supervised intermediaries;

i) In order to calculate the weighted exposure for credit risk, the credit assessment agency (ECAI) used by Farmafactoring for exposures with central administrations and central banks is Moody’s Investor Service, with an unsolicited type of rating. Following the downgrade of Italy’s rating on July 2012, the weighting of the “Public Sector entities” went from 50% to 100% while that of “Central administrations and central banks” remained the same at 0% thanks to the use of the

“preferential weighting factor” applicable in the event the corresponding funding is denominated in the same currency.

ii) As established by Bank of Italy’s regulation on prudential supervision and by the weightings of the ECAI adopted, the Company applies the following weighting factors for the calculation of credit risk:

- 0% for exposures with “Central administrations and central banks”;
- 20% for exposures with “Territorial entities” with offices in a member State of the European Union denominated and financed in the local currency by virtue of Bank of Italy’s Communication of March 1, 2012 which extends regulations for banks to the Financial Intermediaries registered in the Special List with respect to the 8th update of Circular 263 “New prudential supervision regulations for banks”;
- 100% for receivables from the “Public sector entities”, which include those from AOs in the National Health System and ASLs, except for exposures with an original maturity equal to or less than 3 months for which a 20% weighting is applied;
- 100% for exposures with “Supervised intermediaries”, except for exposures with an original maturity equal to or less than 3 months for which a 20% weighting is applied;
- 100% for exposures with “Non-profit entities” and “Companies and other subjects”;
- 150% for “Past due” exposures;
- 100% for “Past due” exposures, if the specific impairment losses are equal to or higher than 20% of the unguaranteed portion, before charges for impairment losses;
- 100% for “Other” exposures (which include property, plant and equipment, investments and other assets);
- 0% for remaining “Other” exposures not subject to weighting (for example, cash);
- 1666.67%, weighting used for an exposure from a financial institutions, in relation to its degree of the credit’s subordination.

Since it does not receive deposits from the public, the Company determines the capital requirement needed to cover credit risk as an amount of regulatory capital equal to at least 6% of the weighted exposure to credit risk.

$$\text{Capital requirement} = 6\% \text{ RWA}$$

The Risk-Weighted Amount is determined by the sum of the risk-weighted assets of the various portfolios.

QUANTITATIVE DISCLOSURE

All amounts are expressed in thousands of euros.

- b) For each regulated portfolio, the amounts of the exposures, with and without mitigation of the credit risk, associated with each credit quality rating class as well as the amounts deducted from regulatory capital.

The amounts of the exposures are not subject to techniques for the mitigation of credit risk.

Portfolios / Exposures	Weighting factors	Non-weighted exposures	Weighted exposures	Deductions from regulatory capital
Exposures with central administrations and central banks <i>Credit quality rating class: 3</i>	0%	22,278	0	0
Exposures with territorial entities <i>Credit quality rating class: 3</i>	20%	1,725	345	21
Exposures with public sector entities <i>Credit quality rating class: 3</i>	20%	1,463	293	18
	100%	1,202,716	1,202,716	72,163
Exposures with non-profit entities <i>Credit quality rating class: no rating</i>	100%	469	469	28
Exposures with supervised intermediaries <i>Credit quality rating class: 3</i>	20%	101,139	20,228	1,214
	100%	845	845	51
Exposures with companies and other subjects <i>Credit quality rating class: no rating</i>	100%	9,842	9,842	591
Past-due exposures	150%	22,975	34,463	2,068
Other exposures <i>Credit quality rating class: no rating</i>	0%	2	0	0
	100%	27,971	27,971	1,678
	1,666.67%	1,226	20,433	1,226
Total		1,392,651	1,317,604	79,056

TABLE 5. SECURITIZATION TRANSACTIONS

Disclosure on the transactions with “Banca IMI and WestLB”: FF Finance S.r.l.

QUALITATIVE DISCLOSURE

Strategies, processes and objectives

During the second half of 2011, the securitization transaction which the Company put in place with Banca IMI and WestLB was finalized; this was a 36-month transaction maturing in June 2014 and referred to the sale of non-recourse receivables due from ASLs and AOs, aimed at the diversification of funding activities.

Characteristics of the transaction

In 2011, the receivables were sold under ex Law 130/99 to a vehicle company, FF Finance S.r.l., which financed the purchase by issuing securities for Euros 200 million, subscribed to in equal and full amounts by Duomo, a SPV owned by Banca IMI, and Compass, a SPV owned by WestLB, during the months of June and July 2011.

During the first 30 months of the transaction, revolving sales of receivables will be made against collections on the receivables in order to maintain the collateralization ratio established in the contracts. At the end of the 30 months, there will be a 6-month amortization period in which there will be no new sales.

Description of the risk profile

Farmafactoring, as the originator, although having sold the non-recourse receivables, is involved in the securitization transaction.

The transaction provides for a credit enhancement mechanism through an overcollateralization ratio (equal to 129.45% of the amount of the securities issued at December 31, 2012) and the subordinated loan carried by Farmafactoring.

The vehicle, through the exercise of a put option, also has the option of transferring any outstanding receivables back to Farmafactoring in the 36th month.

Considering the above, all the risks and rewards of the transaction were not transferred to the assignee but remain with Farmafactoring and, therefore, the securitization risk is included in the credit risk.

QUANTITATIVE DISCLOSURE

Type of financial instruments held

Farmafactoring holds securities for a total of Euros 100 million, purchased during the second half of the year from Compass, after the WestLB Group's manifested an interest in divesting of the securities after Moody's downgrade of Italy's credit rating in July 2012.

Sub-servicer activity

Farmafactoring, having the mandate for collection, recovers and collects the receivables on behalf of the servicer Zenith Service S.p.A.

With regard to all the sales of receivables made to FF Finance S.r.l., at December 31, 2012, the Company managed a nominal outstanding amount of about Euros 239.5 million.

Disclosure on the transaction with “Deutsche Bank – Farmafactoring SPV I S.r.l.”

QUALITATIVE DISCLOSURE

Strategies, processes and objectives

In the fourth quarter of 2012, the Company put in place a securitization transaction with the Deutsche Bank Group for the non-recourse sale of receivables due from ASLs and AOs, aimed at the diversification of funding activities.

Characteristics of the transaction

The receivables were sold under ex Law 130/99 to a vehicle company, Farmafactoring SPV I S.r.l., which financed the purchase by issuing securities for Euros 150 million, subscribed to by Deutsche Bank AG.

The transaction provides for a revolving period of 12 months, renewable for another 12 months upon agreement between the parties. During the first 12 months of the transaction, revolving sales will be made against collections on receivables, in order to maintain the collateralization ratio established in the contract.

At the end of the revolving period (which can be renewed for another 12 months) there will be an amortization period in correlation to the residual life of the outstanding receivables up to the full reimbursement of the securities.

Description of the risk profile

Farmafactoring, as the originator, although having sold the non-recourse receivables, is involved in the securitization transaction.

The transaction provides for a credit enhancement mechanism through an overcollateralization ratio (equal to 133.33% of the amount of the securities issued) and the subordinated loan carried by Farmafactoring.

At the end of the transaction, subsequent to the reimbursement of the securities and other senior expenses on the transaction, all the remaining amounts from the collection of the receivables sold, including late interest will be due to Farmafactoring as the subscriber of the subordinated loan. In light of this condition, together with the right of the Company to repurchase and/or substitute the receivables at any time, all the risks and rewards of the transaction were not transferred to the assignee but remain with Farmafactoring and, therefore, the securitization risk is included in the credit risk.

QUANTITATIVE DISCLOSURE

Type of financial instruments held

Farmafactoring does not hold any financial instruments connected with the aforementioned transaction.

Sub-servicer activity

Farmafactoring, having the mandate for collection, recovers and collects the receivables on behalf of the servicer Zenith Service S.p.A.

With regard to all the sales of receivables made to Farmafactoring SPV I S.r.l., at December 31, 2012, the Company managed a nominal outstanding amount of about Euros 187.5 million.

Disclosure on the transaction with “BayernLB - Farmafactoring SPV II S.r.l.”

QUALITATIVE DISCLOSURE

Strategies, processes and objectives

During the last quarter of 2012, the preliminary documents (Letter of Appointment and Term-Sheet) were signed for the securitization transaction structured by the Company with the Arranger Bank BayernLB AG. This is a transaction with an estimated term of 30 months, with the sale of non-recourse receivables due from ASLs and AOs, aimed at the diversification of funding activities.

Characteristics of the transaction

The receivables will be sold under ex Law 130/99 to a vehicle company, Farmafactoring SPV II S.r.l., which will finance the purchase by issuing securities for Euros 70 million, subscribed to entirely by CORELUX, a vehicle of the BayernLB Group, using liquidity made available by BayernLB AG.

During the first 18 months of the transaction (which can be renewed annually), revolving sales will be made against collections on receivables, in order to maintain the collateralization ratio established in the contract.

At the end of the revolving period, there will be an amortization period of 12 months in which there will be no new sales.

Description of the risk profile

Farmafactoring, as the originator, although having sold the non-recourse receivables, is involved in the securitization transaction.

The transaction provides for a credit enhancement mechanism through an overcollateralization ratio (equal to 129.87% of the amount of the securities issued) and the subordinated loan carried by Farmafactoring.

The vehicle, through the exercise of a put option, also has the option of transferring any outstanding receivables back to Farmafactoring in the 30th month.

Considering the above, all the risks and rewards of the transaction were not transferred to the assignee but remain with Farmafactoring and, therefore, the securitization risk is included in the credit risk.

QUANTITATIVE DISCLOSURE

Type of financial instruments held

Farmafactoring does not hold any financial instruments connected with the aforementioned transaction.

Sub-servicer activity

Farmafactoring, having the mandate for collection, recovers and collects the receivables on behalf of the servicer Zenith S.p.A.

The first sale of receivables was made on January 31, 2013 for a total of Euros 91 million against the successful conclusion of the issue of securities for a total of Euros 70 million on February 22, 2013.

AGGREGATE QUANTITATIVE DISCLOSURE

The disclosure required by IFRS 7.42D.a.b.c is provided below in respect of the nature of the assets transferred, the relationship between them and the associated liabilities and relative risks to which the Company is exposed.

At December 31, 2012, the following transactions are outstanding for the securitization of health care receivables sold and not derecognized, since all the risks and rewards of ownership were not transferred upon sale.

- The securitization transaction, begun in June 2011, structured with Banca IMI and in which the receivables were sold to the vehicle company FF Finance S.r.l. and not derecognized from assets. With regard to this transaction, the amount of receivables sold and not derecognized amounts to Euros 214,525 thousand.
- In October 2012 another securitization transaction structured with Deutsche Bank began. Similarly to the transaction with the vehicle company FF Finance S.r.l., the receivables were sold to the vehicle company Farmafactoring SPV I S.r.l., and not derecognized from assets. With regard to this transaction, the amount of receivables sold and not derecognized amounts to Euros 173,224 thousand.

The total of securitized receivables, sold and not derecognized from the assets in the financial assets thus amounts to Euros 387,749 thousand.

Such receivables, having been recorded in the assets of the Company, are considered in the calculation of the credit risk.

Specifically, since these are exposures with “Public sector entities”, the applied weighting will be 100%, except for exposures with an original term equal to less than three months, for which a 20% weighting will be applied.

Financial assets sold and not derecognized: amount in financial statements and full amount

Technical forms / Portfolio	Financial assets held for trading			Financial assets measured at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity financial assets			Receivables			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	12.31.2012	12.31.2011
A. Assets													387,749			387,749	243,475
1. Debt securities																	
2. Equity securities									X	X	X		X	X			
3. Units in investment funds									X	X	X		X	X			
4. Financing													387,749			387,749	243,475
B. Derivative instruments				X	X	X	X	X	X	X	X	X	X	X	X		
Total 12.31.2012 <i>of which impaired</i>													387,749			387,749	
Total 12.31.2011 <i>of which impaired</i>													243,475				243,475

Key:

A = financial assets sold recorded in full (amount in financial statements)

B = financial assets sold recorded partially (amount in financial statements)

C = financial assets sold recorded partially (full amount)

*Financial liabilities compared with financial assets sold and not derecognized:
amount in financial statements*

<i>Liabilities / Asset portfolio</i>	<i>Financial assets held for trading</i>	<i>Financial assets measured at fair value through profit or loss</i>	<i>Available-for-sale financial assets</i>	<i>Held-to-maturity financial assets</i>	<i>Receivables</i>	<i>Total</i>
1. Due to customers					224,761	224,761
a) compared with assets recorded in full					224,761	224,761
b) compared with assets recorded partially						
Total 12.31.2012					224,761	224,761
Total 12.31.2011					185,855	185,855

TABLE 6. INTEREST RATE RISK ON POSITIONS INCLUDED IN THE NON-CURRENT PORTFOLIO

QUALITATIVE DISCLOSURE

- a)** The interest rate risk is represented by fluctuations in the level of market interest rates which may generate adverse effects on the income statement of the Company.
Disclosure is provided below in respect of IFRS 7 as indicated in the “roneo” Letter no. 46586/13 of January 15, 2013 written by Bank of Italy.
- i)* The Company’s lending activities, represented by non-recourse receivables purchased, are at fixed rates whereas funding is generally at variable rates.
The exposure is given by the amount of financing subject to this risk.
The Company puts in place derivative financial instruments for hedging purposes for non-recourse purchases.
- ii)* For purposes of the assessment of such risk, linked potentially to fluctuations in interest rates, Farmafactoring is guided by the methodology contained in the prudential regulation (Attachment M – Circular 216 of Bank of Italy). This methodology is applied monthly so that variations, if any, in Farmafactoring’s exposure to fluctuations in interest rates can be detected in a timely and continual manner.
- The sensitivity analysis of the interest rate requires the construction of a management framework so that the exposure can be highlighted. This is shown:
- in the liabilities, by the total amount of financing revalued in relation to the maturity of the single tranches of utilization and the exposure in derivatives;
 - in the assets, by the lending represented by the exposure from the purchase of non-recourse receivables, whose collections are estimated using statistics of debtor payment times, and adjusted according to any settlement agreements with the individual regions and/or with significant debtors, or adjusted as a result of the sale of assets.
- The Company reconciles the operating data, used in the management framework, and the data for regulatory reporting.
- iii)* Farmafactoring regularly monitors interest rate risk, as well as its management, through *ad hoc* reporting.
The Farmafactoring Risks Committee, being responsible for Risk Management, analyzes the issues surrounding fluctuations in interest rate risk on a quarterly basis.

QUANTITATIVE DISCLOSURE

- b) The method used calls for:
- classification of the assets and liabilities in different time periods; the allocation to different time periods is made, for fixed-rate assets and liabilities, on the basis of their residual life; for variable-rate assets and liabilities, on the basis of the interest rate renegotiation date;
 - Weighting of the net exposures within each period: the asset positions and liability positions within each period are offset, obtaining a net position. Each net position, for each time period, is multiplied by the weighting factors obtained as the product of the hypothetical variation in the rates (simulating a +200 basis point shock for all the maturities) and an approximation of the modified duration relating to the single periods;
 - Sum of the weighted exposures of the different time periods: the weighted exposures of the different periods are summed all together, obtaining a total weighted exposure.

The Total Weighted Exposure represents the change in the present value of cash flows, generated by the hypothetical interest rate scenario.

The situation resulting from the application of the framework for the management of interest rate risk, at December 31, 2012 (below), presents a potential loss of present value of cash flows, in the event of a +200 basis point shock, equal to Euros 15.9 million; this loss is lower (-9%) compared with the figure at year-end 2011, equal to Euros 17.5 million.

Maturity	Funding Exposure	Derivatives Exposure	Liability Exposure (Total)	Asset Exposure (Lending)	Net Exposure	Shock	Weighted Exposure
less than 1 month	0	0	0	0	0	-	0
1 month	651,034	(268,000)	383,034	87,836	(295,198)	0.08%	(236)
1 to 3 months	347,000	10,000	357,000	175,937	(181,063)	0.32%	(579)
3 to 6 months	50,000	75,000	125,000	260,222	135,222	0.72%	974
6 months to 1 year	0	40,000	40,000	373,426	333,426	1.43%	4,768
1 to 2 years	0	123,000	123,000	245,786	122,786	2.77%	3,401
2 to 3 years		20,000	20,000	83,624	63,624	4.49%	2,857
3 to 4 years		0	0	56,911	56,911	6.14%	3,494
4 to 5 years		0	0	0	0	7.71%	0
5 to 7 years		0	0	12,238	12,238	10.15%	1,242
7 to 10 years		0	0	0	0	13.26%	0
10 to 15 years		0	0	0	0	17.84%	0
15 to 20 years		0	0	0	0	22.43%	0
over 20 years		-	-	-	-	26.03%	-
TOTAL WEIGHTED EXPOSURE							15,920
Regulatory Capital at 12.31.2012							177,727
Risk index reached at the analysis date							9.0%

The Company again in 2012 prudently decided to add on about Euros 16 million to internal capital to meet the risk of fluctuations in interest rates, even though from the application of the management framework at December 31, 2012, the index is below the threshold of attention.

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