GRUPPO Banca Popolare di Sondrio

Factorit

DIRECTORS' REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

GRUPPO Banca Popolare di Sondrio

Directors' report and Financial statements as at and for the year ended 31th december 2019

Factorit
GRUPPO Banca Popolare di Sondrio

Factorit S.p.A.

Registered office, General Management and Head Office
Via Cino del Duca, 12 – 20122 Milano
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. 04797080969
Registered in the Companies List of Milano-Monza-Brianza-Lodi at no. 04797080969
R.E.A. at no. 1773100
Registered in the General List of Financial Intermediaries as per ex article 106 of TUB with No. 52

Share capital € 85.000.002

Member of Assifact – Italian Association of Factoring companies

FCI Member of FCI – Factors Chain International

Governing and control bodies

after Shareholders' Meeting on 3rd April 2020

Board of Directors

Chairman	Roberto Ruozi
Vice Chairman	Mario Alberto Pedranzini
Managing Director	Antonio De Martini
Directors	Fabio Bertarelli
	Massimo Bordoni
	Nicolò Maria Melzi di Cusano
	Lino Enrico Stoppani

Board of statutory auditors

Chairman	Luca Zoani
Standing Statutory Auditors	Luigi Gianola
	Daniele Morelli
Alternate Statutory Auditors	Massimo De Buglio
	Laura Vitali

Independent auditors

EY S.p.A.

Shareholders

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

Branches

Milano
Via Cino del Duca, 12 – 20122 Milano
Tel. 02 581501 – Fax 02 58150205

Torino
Via XX settembre, 37 – 10121 Torino
Tel. 011 0587284 – Fax 011 0587285

Padova
Vicolo Ponte Molino, 4 – 35137 Padova
Tel. 049 663370 – Fax 049 652827

Bologna
Via Riva di Reno, 58 – 40122 Bologna
Tel. 051 6443751 – Fax. 051 6443761

Roma
Viale Cesare Pavese, 336 – 00144 Roma
Tel. 06 94359720 – Fax 06 94359735

DIRECTORS'S REPORT

Dear Shareholders,

The 2019 financial statements, the forty-first year of operations of your company, recorded a profit of 5.160.891 Euro.

In a scenario characterized by multiple geopolitical turbulences and negative evolutions of rate-related conflicts, which have had disadvantageous repercussions on the evolution of national and international trade, Your Company has tried to catch, during the financial year 2019, the opportunities that the factoring market offered, despite a climate characterized by increasing competitiveness, maintaining a constant and rigorous financing policy as well as socially responsible behavior, promoting support for its customers and investing in technologies and resources.

The commercial strategy has pursued objectives of synergies with member and partner banks, with the aim of increasing collaboration situations, also given the high competitiveness of the market which requires a flexible offer structure and increasingly innovative and integrated products.

Before illustrating the activities carried out during the year and the statement of financial position of the Company at 31st December 2019, we believe it appropriate to briefly review, as usual, the evolution of the economic scenario and the performance of the domestic factoring market.

As the previous one, the Financial Statements at 31st December 2019 have been audited by the Company EY S.p.A.

THE INTERNATIONAL SITUATION

A year of uncertainty the 2019, dominated by questions regarding the impacts of the duties' dispute and, especially in its final part, by growing geopolitical tensions. In this regard, it is sufficient to recall the breeding ground of war always ready to spread in the Middle East and the difficult situation that has arisen in Libya, in the middle of the Mediterranean Sea.

International trade was naturally the duty payer, a barometer that was extremely sensitive in recording any conflict points among the main players on the world economic scene. However, it must be said that at the end of the year there was a preliminary commercial agreement between the United States and China, perhaps preparatory to starting the dialogue that many hope for. The elections in the United Kingdom also seem to have placed some element of certainty in the difficult and contrasted process of the country's exit from the European Union.

Share prices marked growing year, particularly strong in the United States, where new highs were reached. Optimism also prevailed at the end of the year on international stock exchanges, due both to the expectations linked to the mentioned trade agreement between China and the United States and to the constantly accommodative orientation of the main central banks, which once again favored investments in shares rather than in bonds. In particular, the Federal Reserve has distinguished itself for three rate reductions of 25 basis points each over the year, so that market expectations have moved towards maintaining accommodative monetary conditions for the coming months.

Inflation is maintained moderate worldwide, also because the prices of oil products have not suffered strong shocks, despite the many tensions that interested some of the most important producing Countries.

Overall, the world economy experienced a moderate growth throughout the year, result of rather diversified dynamics. While the United States has consistently maintained a fairly sustained step, with unemployment rates constantly at a minimum, the significant slowdown of India has been evident among the other major Countries, only partially followed by the China. The latter, even if decelerating for some time now, has always shown a level of expansion of around 6%. Among the most advanced economies Japan appears to be recovering, while the United Kingdom has not been penalized, to the extent feared by many, by the uncertainty related to the difficult Brexit process.

In the euro area, despite a monetary policy constantly based on an accommodative tendency, motivated by very low inflation and confirmed even after the change occurred at the top of the ECB, the economic activity has been decisively contained by the weakness of manufacturing sector. The industrial activity was heavily affected by the difficulties in exporting deriving from the mentioned war of duties and also suffered the negative effects connected with the agitations within important sectors such as the automotive one, affected by the relevant and expensive technological innovation processes of the engines.

At the end of the year, GDP growth in the euro area is expected to be at modest levels, around 1%, between the most active partners, France and Spain, the most important, and the least dynamic ones, among which we have Italy and Germany.

As already mentioned, inflation remained at low levels, around 1.3%, therefore below the ECB's medium-term target, in fact during the Governing Council meeting of 12th December it confirmed that rates will not be revised upwards until the inflation outlooks reach a level close to 2%. Net purchases referred to the Expanded Asset Purchase Program will also continue.

For the Swiss Confederation, 2019 was characterized as a year of slowdown in economic growth, with the GDP progress estimated at the end of the year around or slightly less than 1%. The general trend was in fact affected, and it could not have been otherwise, by an unfavorable international spirit - moreover, Swiss exports nonetheless marked a progress higher than imports - and by a not very dynamic situation. After the fall marked at the end of 2018, private consumption resumed a positive, even if fairly contained, trend. For its part, the Swiss National Bank maintained the reference rates unchanged at -0.75% for the whole of 2019.

ITALIAN SITUATION

After a two-year period (2016-2017) of growth heavily above 1%, the 2018-2019 meant the return of the Italian economy to the rhythm of the "zero point". And, in particular during the year under review, the figure following the comma is limited to 3 tenths.

Certainly disappointing result, even if widely expected considering the problems of our Country, which has also been able to count on the contribution of the foreign channel, maintained positive by exports (+1.2%) more dynamic than imports (-0.4%) and reflected in a trade progress that reached 53 billion in December compared to 39 in 2018.

Unemployment, which, in seasonally adjusted terms, at the beginning of the year, had risen above 10%, stood at 9.8% in December, with young unemployment, in the same month, equal to 34.3%, identical value to the previous year.

The inflation, which closed 2018 in line with the annual average (1.2%), in 2019 saw this average halve, mainly due to an evident weakening in the second half of the year. The December closing -0.5%, following 3 consecutive months at 0.2% - incorporated the turnaround in fuel prices, but this was not enough to prevent that the differential with the Euro area rate expanded to 8 tenths of a point.

The target of the public debt mitigation in relation to the Product continues to be postponed: in 2019 the indicator remained stable at 134.8%.

The incidence of net debt decreased from 2.2% to 1.6%, to 2.2% also in the planning measure for 2020 (before the emergency note break).

The dissipation of the fears about the bookkeeping - even if the European Commission remains cautious - has allowed a drop in the spread, over the year, of over 100 basis points, to around 160.

FACTORING, THE DOMESTIC MARKET

During the year 2019, the factoring market continued its positive trend, recording another growth that allowed it to exceed the 255 billion euros threshold, an increase of 6.44% compared to the previous one.

On the other hand, the outstanding receivables at 31 December 2019 (Outstanding) fell by 2.11%, showing an overall reduction in the maturity of exposures and the good collections performance on receivables.

Consequently, the advances and fees component also decreased slightly by 0.30% compared to the previous year.

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

	2016	2017	2018	2019
Turnover	202.402.830	221.597.438	240.038.627	255.506.338
Outstanding	61.009.983	62.343.204	67.688.862	66.261.108
Advances	49.703.046	50.400.409	54.698.096	54.534.058
Advances/Outstanding	*81,5%*	*80,8%*	*80,8%*	*82,30%*

(amounts in thousand euros)

Based on the information provided by Assifact at December 31st, 2019, 50,0% of the factoring companies in Italy consisted of financial intermediaries pursuant to art. 106 “albo unico” (generating 60,1% of turnover), banks account for 35,3% of operators (34,2% of turnover) and the other intermediaries are 14,7% (5,7% of turnover).

The volume of loans and receivables of the leading 5 operators (all belonging to banking groups), among which there is also Factorit (at the 4th position with a share of 5,27%), is equal to 71,79% of the market’s total turnover.

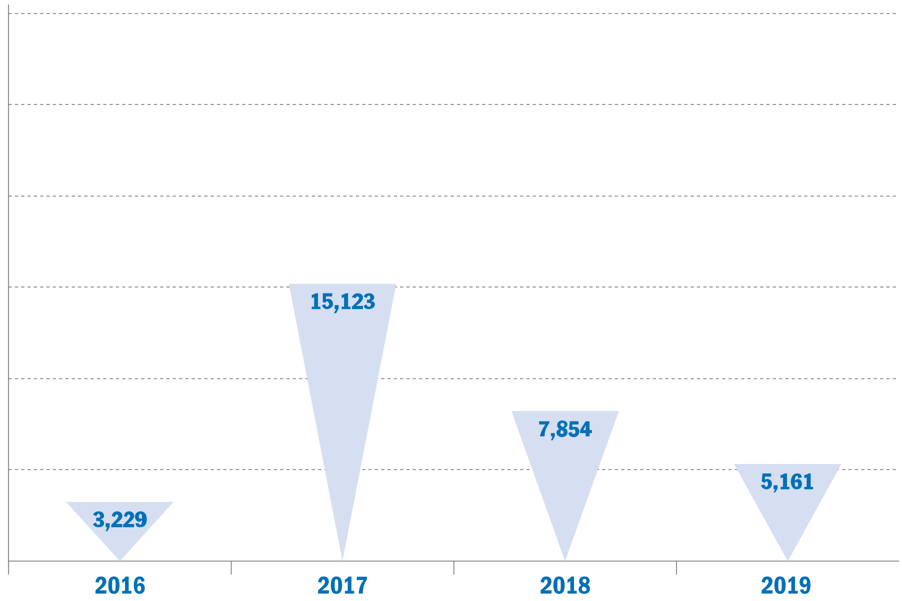
COMPANY PERFORMANCE

Results

The Company ended the year with a net profit of 5.2 million Euros, after allocating gross value adjustments for credit risk on financial assets, measured at amortized cost, for 15.5 million Euros. The reversals amount to 5.6 million euros. Therefore, the item Net impairment losses for credit risk shows a balance of 9.9 million euros.

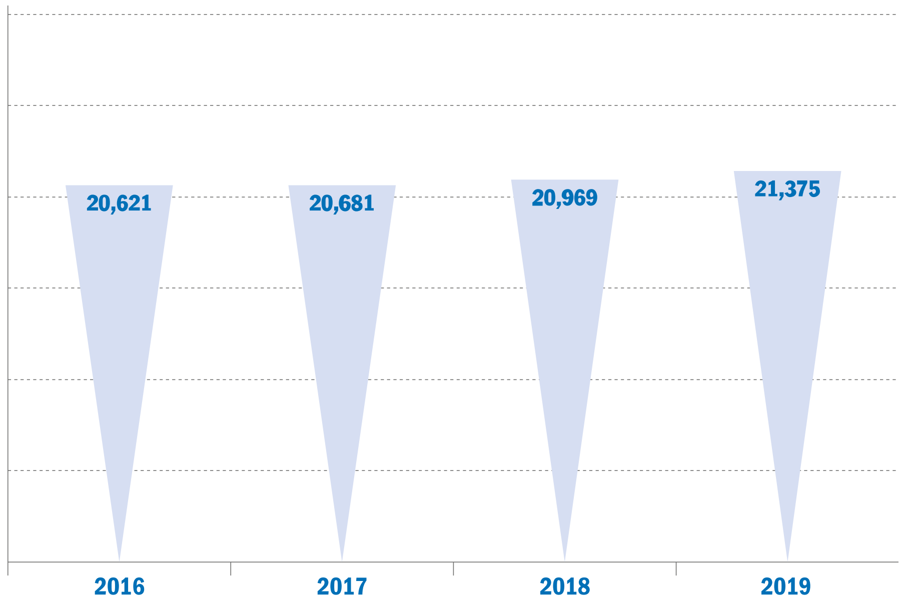
In addition, value adjustments were recorded on Net accruals to provisions for risks and charges for 4.5 million Euros and reversals for 1.1 million Euros. The item Net accruals to provisions for risks and charges therefore amounts to € 3.4 million.

Graph 1. Net profit trend (thousand euros)



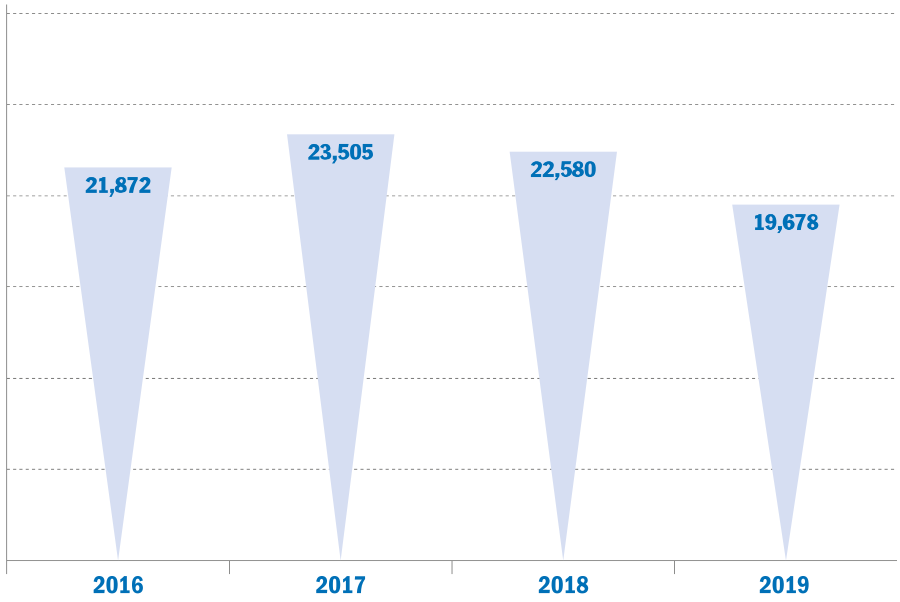
The activity generated a Total Income of 41,0 million euros, of which 19,7 million deriving from financial income and 21,3 million from commissions, recording a decrease of approximately 5,8%

Graph 2. Net fee and commission income trend (thousand euros)



The trend of commissions, strictly related to turnover, is slightly increasing over the whole time period under review. This trend is also due to the volume's growth with more profitable counterparties compared to customers with lower marginality.

Graph 3. Net interest income trend (thousand euros)



In order to allow a more immediate and clear view regarding to the Company's economic performance, the following table relates to the main economic quantities and some ratios of the year, compared with the data for the previous year.

Table 2. Reclassified main economic results

	2018	2019
Net fee and commission income	20.969	21.375
Net interest income	22.580	19.678
Net trading income	6	-5
Total income	43.555	41.048
Total net costs of risk	-11.725	-13.307
Total net operating expenses	-20.005	-20.100
Operating	11.825	7.641

(thousand euros)

	2018	2019
Cost/Income	45,9%	49,0%
Roe	3,5%	2,2%
Net interest income/Total income	51,8%	47,9%
Revenue from services/Total income	48,1%	52,1%
Net impairment losses on receivables/gross receivables	0,424%	0,420%

It should be noted that the net cost of risk includes the caption 130 “Net impairment losses for credit risk” for -9.957 thousand euros and the caption 170 Net accruals to provisions for risks and charges for -3.350 thousand euros.

Total net operating costs includes captions 160 “Administrative expenses” for 20.171 thousand euros, 180 “Depreciation and net impairment losses on property and equipment and intangible assets” for -1.756 thousand euros and the caption 200 “Other operating income, net” for 1.827 thousand euros.

Key events of the year

During its meetings in the year 2019, 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 among non-performing, unlikely to pay, and past due loans) and the consistency provisions made against them, as well as loans impairment. Quarterly, the Board of Directors has also examined the company’s financial situation as well as the documentation relating to the composition of the existing portfolio (ageing, exposures over 25 million euros, etc.), the resolutions adopted on the trusts and litigations, own funds, liquidity risk.

During the year, the Board of Directors also adopted, in accordance with the regulations issued by the Parent Company, the internal rules for a proper and efficient management of the company. In accordance with the forecasts of the Bank of Italy circular no. 288 of 3 December 2015 and the following updates “Supervisory provisions for financial intermediaries”, the reports prepared by the Governance functions (Compliance, Internal Audit, Risk Management), and the reports of the Anti-Money Laundering function prepared pursuant to the Bank of Italy measures, have been brought to the attention of the Board.

More specifically:

- the Board of Directors of **30th January 2019** has identified the most relevant personnel; to approve the review and revision and adaptation project of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001; to resolve on the determination of the motivational system in favor of corporate resources, in compliance with the "Group remuneration policies", in compliance with the "Provisions on remuneration and incentive policies and practices in banks and banking groups";
- the Board of Directors of **6th March 2019** approved the financial statements draft for the year ended 31st December 2018; it convened the Ordinary Shareholders’ Meeting and approved the 2019 Budget. The ordinary Shareholders' Meeting of 5 April 2019 appointed the Board of Directors and the Board of Statutory Auditors for the three-year period 2019-2021 and adopted the "Remuneration Policies of the Banca Popolare di Sondrio Group "and the disclosure on the implementation of the same for the 2018 financial year;
- at the end of the Shareholders' Meeting, the Board of Directors verified the existence of the requirements of company representatives pursuant to Ministerial Decree no. 161 of 18.03.1998; it ensured the

provisions of art. 36 Law 214/2011 with regard to the ban on interlocking and it has appointed the Vice Chairman of the Board of Directors and the Managing Director, attributing to the latter the necessary powers.

- on **6th May 2019** the Board of Directors appointed, consequently to swappings, the Complaints Manager and the internal Contact Person of the Data Protection Officer (outsourced function); it also approved the financial statements at 31.03.2019
- on **31st March 2019**, the resignation, for personal reasons, of the Standing Auditor Mr. Pio Bersani, who took over from the Alternate Auditor Mr. Luigi Gianola. The requirements' verification was confirmed by the Board of Directors on **21st June 2019** as well as the prohibition of interlocking was ensured. The Board also determined the variable part of the remuneration of the most important personnel;
- on **5th August 2019**, the Board of Directors appointed the internal contact person of the Compliance Function and appointed the internal contact people of the Important Operating Functions, outsourced. It also approved the economic and financial situation at 30.06.2019;
- on **30 October 2019 the Board of Directors**, among other provisions and upon the proposal of the Parent Company, approved to join the "National Tax Consolidation"; it approved the financial position at 30.09.2019; has determined the criteria and parameters for the awarding of variable remuneration to the most relevant personnel and managers.
- During the year, the ordinary exchange of correspondence continued with the Financial Intermediaries Supervision Division (Milan office) of the Bank of Italy and during the meeting of 19 November 2019 also with 2 representatives of the Joint Supervisory Teams, responsible for the unique supervision on the Parent Company.

The organizational structures and the internal control systems

Internal regulation was also affected in 2019 by updating measures, partly due to the issue and entry into force of new specific regulations and partly for the purpose of further strengthening the internal organizational structure. These updates also concerned the regulations, methodologies and tools used by the internal control functions. Furthermore, information flows were reinforced, as well as the methods of collaboration between the functions themselves.

At the same time, some previously adopted governance regulations were updated. For adjustments to the new regulations, see the dedicated section "Regulatory adjustments".

Factorit adopts a traditional administration and control model. Its corporate governance is made up of all the methodologies, models and planning, management and control systems necessary for the functioning of the Company's Bodies and is structured with the aim of ensuring effective and transparent divisions of roles and responsibilities among the Corporate bodies, as well as a correct balance between strategic supervision, management and control functions and careful analysis and assessment of the risks to which the Company is exposed.

The corporate organization chart is structured into Control Functions, Services and Offices, with the aim of achieving improvements in terms of efficiency and risk mitigation. During the year 2019, improvements were made to the organizational structure to continuously adapt the structure to the company needs, in accordance with the provisions and guidelines of the Supervisory Authority.

The internal control system of the Company and the related governance model is periodically analyzed and updated, if necessary, also according to the elements of any misalignment with the new supervisory provisions on the matter.

The use of outsourcing of company functions, including important and control functions, represents a structural element of the organizational model adopted by the Company considering, as required by the principle of proportionality, the company size and the limited operational complexity that characterizes it. Regarding the control functions, Factorit has outsourced – due to specific agreements - the Function of compliance with the rules to a primary operator and the Internal Audit Function to the homologous function of the Parent Company.

Commercial performance

The amount of receivables assigned during the period was equal to 13.465 million euros, down 2,3% compared to 2018 (13.787 million).

Financings assigned as without recourse, that means with a guarantee on the successful completion of payments, were equal to 64,6% of the total turnover, while those transferred without recourse were 35,4%.

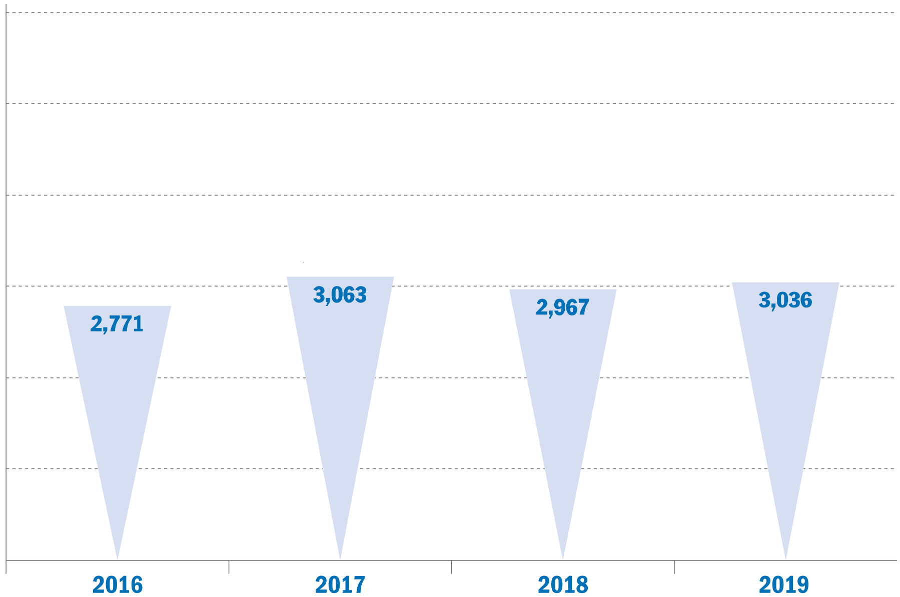
There were 1.462 active customers at December 31, 2019, an increase of 3,4% compared to December 31, 2018

Table 3. Operating figures

	2018	2019	Variation
Turnover	**13.787.038**	**13.465.098**	**-2,3%**
of which without recourse	8.922.876	8.699.710	-2,5%
of which with recourse	4.864.162	4.765.388	-2,0%
Net fee and commission income (%)	**0,15**	**0,16**	**4,4%**
Advances (stock) at 31/12	**2.364.628**	**2.355.737**	**-0,4%**
Outstanding	**2.966.721**	**3.036.130**	**2,3%**
of which without recourse	1.864.276	2.015.200	8,1%
of which with recourse	1.102.445	1.020.930	-7,4%
No. of dossiers processed	**1.503.474**	**1.498.065**	**- 0,4%**

(thousand euros)

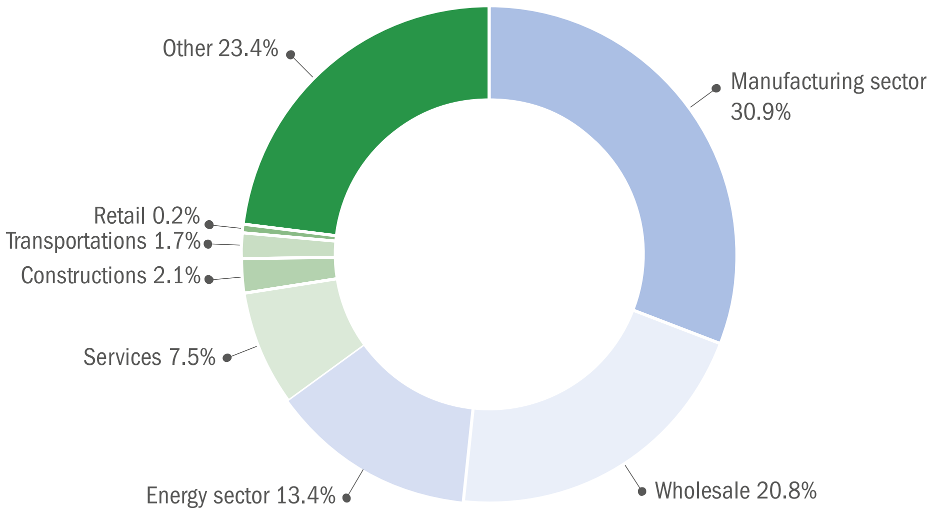
Graph 4. Trend of outstanding loans and receivables balance (thousand euros)



The increase in the average days of rotation of loans and receivables (82 days vs 79 in 2018) is mainly due to the type of customers in the portfolio and, consequently, to the related payment methods.

The distribution of turnover based on the transferor's product sector shows that most of the volumes are generated by customers belonging to the Manufacturing sector (30,9%), followed by wholesale trade (20,8%), the energy sector (13,4%), Services (7,5%), Construction (2,1%), Transportation (1,7%) and Retail (0,2%). The "Other" class covers the remaining 23,4%.

Graph 5. Breakdown of turnover by merchant sector of originator



The turnover breakdown by product mainly consists of traditional factoring with notice (33,7%) and factoring with financing without notice (46,8%), the growth of which is mainly due to significant strengthening of transactions with high counterparties standing. *Maturity* factoring follows with 17,2% of the total, while the residual component relating to products of guarantee only without notice with 2,3%.

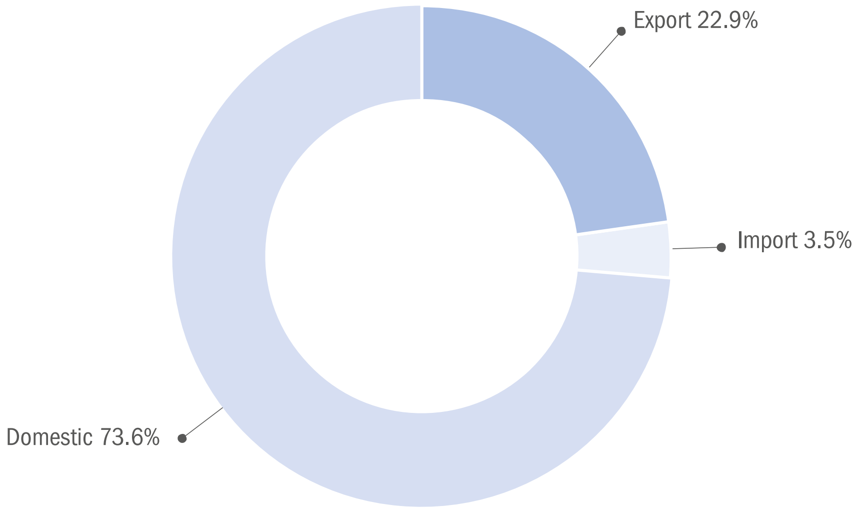
Table 4. Product segmentation (percentage of total)

	2017	2018	2019
Traditional factoring	39,9%	43,3%	33,7%
Financing products without notice	43,0%	40,4%	46,8%
Maturity factoring	15,0%	14,5%	17,2%
Guarantee only without notice	2,1%	1,8%	2,3%
Total	**100,0%**	**100,0%**	**100,0%**

(%)

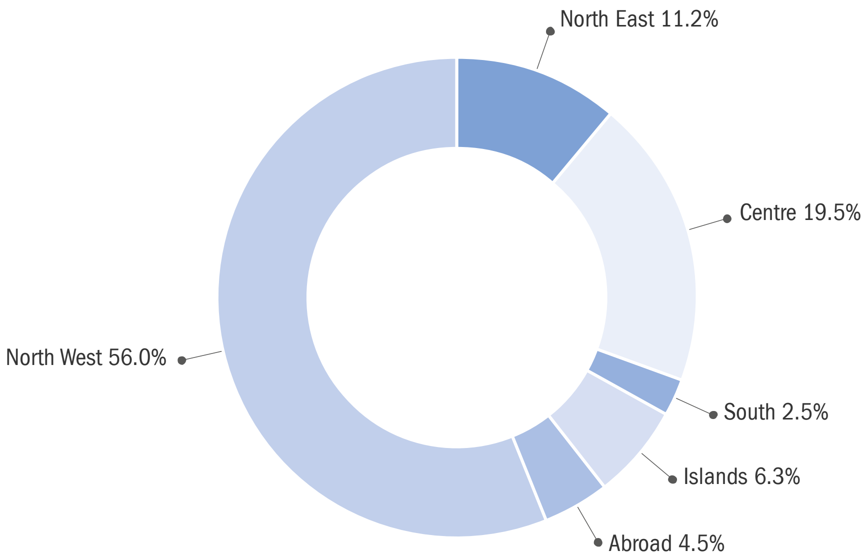
Domestic transactions made-up 73,6% (74% in 2018) of total loans and receivables factored for 9.911 million euros of turnover. Export factoring accounted for 22,9% (21% in 2018) for 3.077 million euros and the import factoring for 3,5% (5% in 2018) for 477 million euros.

Graph 6. Breakdown of turnover by geographical segment



The company mainly works in areas where its shareholder banks have a widespread presence and the direct commercial activity is more effective. The amount of credits sold by customers based in Lombardia (the first region in terms of turnover) represents the 26,9% of total. Piemonte (26,6%) and Lazio (18,0%) are among the most significant regions in order of volumes. Turnover contributed by customers based abroad made up 4,5%.

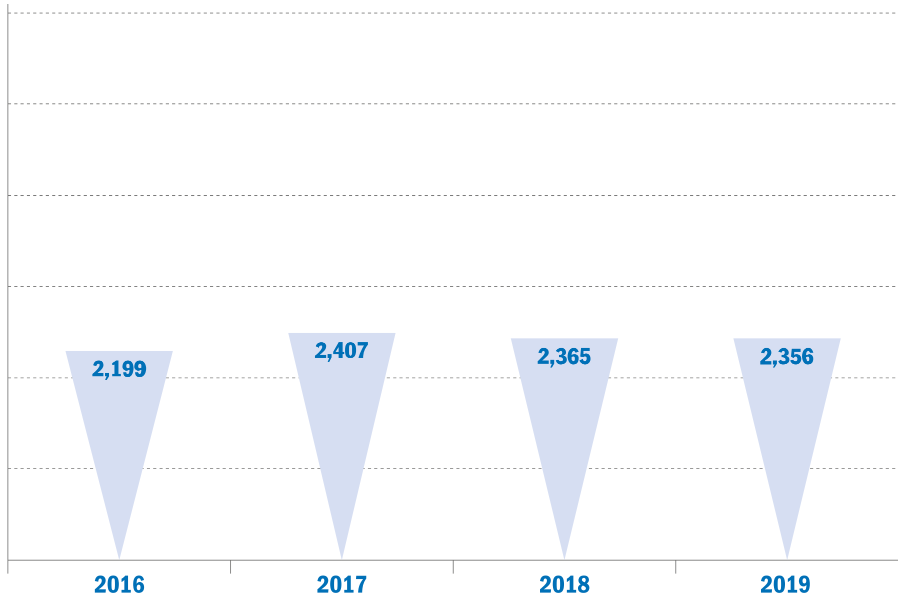
Graph 7. Breakdown of customers by macro-geographical areas



(percentages calculated considering the customers' registered office)

As at 31st December 2019, advances amounted to 2.356 million euros, equal to 77,6% of the outstanding loans and receivables.

Graph 8. Advances (million euros)



Distribution channels

Assignment by customers referred by shareholders banks amounted is equal to 5.164,8 million euros (that reached € 5.476,4 million, including banks which there are agreements for the distribution of the Company's products with), with an incidence on the total loans assigned of 38,4%, an increase of 7,1% compared to the previous year .

Customers from the direct channel carried out assignments for 7.511,8 million, with an incidence of 55,8% on the total that, even if 7,5% down compared to the previous year, it confirms itself as the main distribution channel of the Company, while the volumes of financings related to import factoring transactions, which also derive from the reports of the corresponding FCI (Factors Chain International), amounted to 477,0 million euros, with an incidence approximately 3,5% on total loans sold.

Table 5. Breakdown of turnover by distribution channel

	2018	Weight	2019	Weight	Variation
Banca Popolare di Sondrio	*2.953.359*	*21,5%*	*3.609.032*	*26,8%*	*22,2%*
Banco BPM	*1.867.010*	*13,5%*	*1.555.739*	*11,6%*	*-16,7%*
Total Shareholder banks	*4.820.369*	*35,0%*	*5.164.771*	*38,4%*	*7,1%*
Total BANKS	**5.048.000**	**36,6%**	**5.476.376**	**40,7%**	**8,5%**
Total IMPORT	**618.550**	**4,5%**	**476.965**	**3,5%**	**-22,9%**
Total DIRETTO	**8.120.488**	**58,9%**	**7.511.757**	**55,8%**	**-7,5%**
Total	**13.787.038**	**100,0%**	**13.465.098**	**100,0%**	**-2,3%**

(thousand euros)

Regulatory adjustments

The Company uses the support of the (outsourced) Compliance Function which, with reference to monitoring the risks of non-compliance with the law activity, has the task of continuously identifying the applicable standards, as well as assessing their impact. on company processes and procedures.

The Company reviewed the "*General Governance Regulation*", the "*Compliance Function Regulation*", the "*Personal data protection regulation*", the "*Regulation of the management process of IT incidents, serious incidents and Data breach*" and the "*Internal Whistleblowing violation reporting policy*" and it approved new regulations in order to ensure the adequacy of the internal policies with respect to the aim of preventing the violation of mandatory rules (laws and regulations) and self-regulation.

In terms of privacy, the Company completed its model with the approval of the "*Accountability Document*" (pursuant to art. 24 and 25 of EU Regulation 679/2016) in which the decisions regarding the processing and protection of personal data are formalized.

The transposition activity about the regulations issued by Banca Popolare di Sondrio for the Group, continued during the year 2019.

About that, the Compliance Function confirmed its evaluations, contributing to the internal process of issuing and updating of the company's regulations.

During the year several laws and regulations changes affected the banking and financial system directly or indirectly. Below the main ones.

Crisis and insolvency Code – The legislative decree 12th January 2019, no. 14 introduced in the national law the Code of business crisis and insolvency, an organic reform of the discipline of both judicial and extra- judicial competition procedures with the main aim of: (*i*) reorganize the discipline related to the crisis and insolvency, with the creation of a single regulation to replace the Bankruptcy Law (R.D. 16th March 1942, no. 267); (*ii*) introduce the duty - for entrepreneurs to establish an organizational, administrative and accounting structure appropriate to the nature and size of the company also in function of the timely detection of the crisis of the company and the loss of business continuity, as well as to activate without delay for the adoption and implementation of one of the tools provided by the law for overcoming the crisis and recovering the business continuity. All in accordance with the new formulation of art. 2086.2 of the civil code, entitled Company Management; (*iii*) delegate to the Crisis Assisted Composition Bodies the task of both receiving the reports referred to in Articles 14 and 15 of the Crisis and Insolvency Code, and of managing any alert procedures and assisting the entrepreneur in the assisted settlement procedure of the crisis.

The provisions contained in article 14, paragraph 4 "Reporting obligations of Corporate control bodies", in the article 12, paragraph 3 "Concept, impacts and scope", as well as in article 4 entitled "Counterparties duties" are absolutely important; the latter establishes the duty, for all creditors (including financial intermediaries registered in art. 106 of the TUB) to collaborate loyally with the debtor, with the persons in charge of the crisis alert and assisted settlement procedures, with bodies appointed by the judicial authority in the context of crisis and insolvency settlement procedures and to comply with the confidentiality obligation.

Outsourcings – on February 25th , 2019 the *European Banking Authority* published the new guidelines about outsourcing ("*Guidelines on outsourcing arrangements*" - EBA/GL/2019/02) that, considering the orientation of *Committee of European Banking Supervisors* (CEBS) about outsourcing in 2006 as the starting point, pursue to establish a harmonized framework for all outsourcing agreements signed by European financial institutions; in addition, they complete and specify the guidelines issued by the EBA on the internal governance of banks ("*Guidelines on internal governance under Directive 2013/36/EU*").

The key principles of the new regulatory framework, which is applied at the Banking Group level, provide for the adoption of solid devices for the governance and control of risk of outsourcing, in particular with regard to the essential or important functions. The contents of the new document can be summarized in five points: *(i)* implementation at a Group level and institutional protection system; *(ii)* valuation of outsourcing agreements; *(iii)* governance framework; *(iv)* outsourcing process; *(v)* outsourcing guidelines addressed to the competent authorities.

During the year the company has been involved in the compliance project activated by the Parent Company in order to acknowledge the legal adjustments on schedule.

Laws on customers protection – In order to adapt the national regulations to the European regulatory framework and increase the level of protection of customers, the "*Provisions regarding the transparency of banking and financial transactions and services. Accuracy of relationships between intermediaries and customers*", have been reviewed, referring to aspects that incorporate guidelines from the European Supervisory Authorities.

The Provision of 19th March 2019 with which changes were made to the Provisions of 29th July 2009, as subsequently modified, in order to implement the Guidelines of the *Joint Committee* of the European Supervisory Authorities regarding the management of complaints, was significant.

The Company has accepted the contents of the Provision, consequently the Board of Directors has approved the "*Complaints service policy*" and the document "*Information on complaints service*", available to customers.

The Bank of Italy made the amendments to the rules on the functioning of the Financial Banking Referee (ABF) public, which align the national regulations with the directive on extrajudicial systems of disputes resolution and which should allow to reduce the time of the decisions of the Referee and at the same time ensuring intermediaries more adequate times for the preliminary investigation and the evaluation of the complaint.

Countering money laundering and terrorism financing - With the Provision of 26 March 2019, the Bank of Italy made the alignment with European legislation implementing the forecasts related to organization, procedures and internal controls included in the Legislative Decree 21st November 2007, no.231, as modified by the Legislative Decree 25th May 2017, no.90, of transposition of the so called IV Anti-Money Laundering Directive. The Provision provides information about the requirements, procedures, control systems and the functions of the central contact point, in line with Regulation delegated by the European Commission no. 1108/2018 7th May 2018 and it transposes the guidelines of the European Supervisory Authorities adopted on 22 September 2017.

Then the *Authority* issued, on July 30th, 2019, the Provision on the proper verification of customers, in order to implement the forecasts on the proper verification of the Legislative Decree 21st November 2007, no.231, as modified by the Legislative Decree 25th May 2017, no.90 and the Guidelines of the European Supervisory Authorities issued on June 26th, 2017 as pursuant the art. 17 and 18, paragraph 4, of the European Directive 2015/849, about the simplified and strengthened measures of proper verification of customers and about the factors the banks and the financial institutions should take into account evaluating the anti-money laundering and terrorism financing risks, which are connected to the individual ongoing positions and occasional transactions.

Consequently, the Company has issued, implementing the guidelines expressed by the Parent Company, the "*Policy on the prevention of money laundering and terrorism financing*", which illustrates the choices made regarding organizational structures, procedures and internal controls, proper verification and data retention.

Organizational structure and human resources

During the year, the personnel dedicated to the Credit and Commercial Services was strengthened and the Services and Support Offices were improved.

Table 6. Average number of employees

Age group	2019							2018						
	women			men			Tot	women			men			Tot
	>50	50-30	<30	>50	50-30	<30		>50	50-30	<30	>50	50-30	<30	
Managers	0	0	0	8	0	0	8	0	0	0	7	0	0	7
Junior Managers	17	8	0	40	14	0	79	19	7	1	41	9	0	77
Employees	15	28	1	11	18	10	83	16	31	2	11	22	5	87
Total	32	36	1	59	32	10	170	35	38	3	59	31	5	171
Of which: part-time	*3*	*10*	*0*	*2*	*0*	*0*	*15*	*3*	*11*	*0*	*1*	*0*	*0*	*15*

During the year there were 16 terminations of the employment relationship, while 18 were hired, including 5 people with an apprenticeship contract, 7 temporary employees, 6 permanent employees, the average figure on total employees (170) does not include any weighting with reference to the 15 part-time contracts.

The punctual number of employees at December 31, 2019 was 172 units, including 102 men and 70 women. Some of the fixed-term contracts are derived from the need to deal with projects that contributed to temporary extraordinary activity.

The usual professional improvement activities continued for all employees, with training courses financed by the banking and insurance Fund, which made it possible to increase the regulatory and technical knowledge of the personnel. In particular, internal training was provided regarding the new European regulation on the processing of personal data and privacy (GDPR) and on the budget news. Specific courses on the factoring product were also provided.

According to the new State-Regions workplace safety directives, the company continued to provide the related training to all new hires and contractors.

Company activity risks

According to its business model, the Company is exposed to different types of risk, actual and potential, which mainly refer to credit risk and to some operational risks intrinsic to the business.

The overall corporate risks are managed within an organizational model, based on the separation between the control and operational functions, which integrates methodologies and controls at different levels in line with the corporate scopes of ensuring efficiency and effectiveness of the operating processes, preserve the integrity of the company assets, protect the Company from losses, guarantee the reliability and integrity of the information and constantly check the correct performance of the activity in compliance with internal and external regulations.

Interest and Liquidity risk trend

Reference should be made to the Notes to the Financial Statements *Part D- Other information – Section 3 - Risks and hedging policies information.*

Regarding the liquidity risks, its management took place also through the utilization of the competent Functions of the Parent Company, which also ensured a large part of the financial resources necessary for carrying out its business.

Credit risk trend

At 31st December 2019 the total exposures, gross of impairments, amounted to 2.356 million euros. About it:

- the on-balance exposures at Stage 1, so those which as performing exposures did not suffer a significant credit risk increase, amounted to 2.137 million euros, equal to 90,7% of total exposures; net of adjustments these exposures amounted to 2.135 million euros.
- the on-balance exposures at Stage 2, so those which as performing exposures suffered a significant credit risk increase, amounted to 169,7 million euros, equal to 7,2% of total exposures; net of adjustments these exposures amounted to 169,5 million euros;
- the on-balance exposures at Stage 3, so the impaired exposures, amounted to 49,1 million euros, equal to 2,1% of total exposures, divided as follows:
  a) past due on-balance exposures for 0,8 million euros, equal to 0,1% of total exposures; net of adjustments these exposures amounted to 0,7 million euros, with a coverage of 9,0%;
  b) unlikely to pay on-balance exposures for 36,5 million euros, equal to 1,5% of total exposures; net of adjustments these exposures amounted to 11,8 million euros, with a coverage of 67,7% (48,2% in 2018);
  c) non-performing on-balance exposures for 11,9 million euros, equal to 0,51% of total exposures; net of adjustments these exposures amounted to 0,2 million euros, with a coverage of 98,3% (96,3% in 2018).

At 31st December 2019 total losses for 9,7 million euros (1,4 million in 2018) were accounted, of which: 7,4 million in relation to exposures due to assignees and 2,3 million with debtors. The amount recorded was completely covered by the specific funds.

Credit risk concentration and equity information

Regarding to the parameters established by the current regulations on the matter, activities aimed at monitoring its compliance continued in 2019, especially using the tools that have been used for some time.

For the risk concentration, reference should be made to the Notes to the Financial Statements *Part D - Other information – Section 3 - Risks and hedging policies information.*

At 31st December 2019, no. 18 positions included in the "large exposures" (21 positions in 2018) were recorded. For risk positions above the limit of 25% of the eligible capital, the Parent Company ensures, by guarantees, the excess of the individual limit; as of December 31st, 2019, four primary Groups exceeded this limit.

It should be noted that at 31st December 2019 both the CET1 Capital ratio and the Total Capital ratio were equal to 11,365% (11,565% at 31st December 2018) and the capital surplus was equal to Euro 110.952.293 (Euro 113.231.573 at 31st December 2018), for further details on equity, please refer to the Notes to the financial statements *Part D - Other information - Section 4 - Information on equity.*

Going concern

Following the directives of the Parent Company, the company will continue in the commercial action aiming to increase the number of customers, the volumes traded, and the profitability generated by the loans provided, always paying attention to the quality of the credit.

Given the current shareholding structure and the fact that the company does not have capitalization issues and has historically made a profit, the Directors declare the going concern requirement satisfied.

Other information

Pursuant to article 2428.3.1 of the Italian Civil Code, it should be noted that the company carried out R&D activities during the year; intangible assets that will generate future economic benefits.

The Other disclosure section of the Notes to the financial statements provides the information about 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 Company, 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 Company during the year 2019, either directly or via trustees or nominees.

Part D of the Notes to the financial statements 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

Regarding to the factoring sector, surveys conducted by the association of category Assifacts confirmed the industry's positive expectations for the year just started, both in terms of turnover (+5,4%) and in terms of outstanding (+3,8%), in terms of average loans (+3,7%), as well as the general confidence of operators about the expected performance of the fiscal result for 2020 (about 79% of operators expect an increasing trend compared to 2019).

Factorit's goals for 2020 have been prepared in the light of the expectations of the Parent Company 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 commercial activity will be increasingly oriented towards the development of synergies with the member banks and with the affiliated ones, without renouncing to direct development operations, also considering the macroeconomic variables and the context that still present significant risks.

In particular, we refer to the mentioned economic situation worsened by the consequences of the Coronavirus, whose effects cannot currently be estimated.

In this scenario, growth opportunities will be carefully pursued, keeping high the aim of risk mitigation, as well as the improving of the managed portfolio, to support deserving companies and the already customers of the Group and/or of the affiliated banks.

Finally, the possibilities of extending the Company's business towards customers who operate with the Public Administration and abroad will not be overlooked, maintaining a fair balance of volumes with the remaining portfolio.

Regarding to the operating costs, the Company will continue to maintain a careful management without prevent development-related investments.

Significant events happened after the closing of the financial year

The Coronavirus epidemic occurred in China in a period very close to the reporting date and, subsequently, also in other countries including Italy. On January 30th, 2020, the World Health Organization declared the existence of an international emergency phenomenon. Coronavirus is causing the slowdown or interruption of economic and commercial activity in several sectors.

The Company, as well as the other companies of the Banca Popolare di Sondrio Group, considers this event as (non-adjusting event) subsequent to the closing of the financial statements as pursuant to IAS 10.

With regard to the information included in IAS 1, paragraph 125, which requires to show the assumptions regarding the future and other main causes of uncertainty in the estimates at the reporting date which present a significant risk of giving rise to significant adjustments of the assets and liabilities book values by the following period, it is not considered possible to provide a quantitative estimate of the potential impact on the Company's financial performance as of today, considering that the multiple variables are still unknown and undefined.

Therefore, this impact will be considered in the accounting estimates during the financial period 2020. With regard to, in particular, the determination of expected losses on financial instruments not measured at fair value with an impact on the income statement at 31 December 2019, these have been estimated on the basis of all the reasonable and demonstrable information at the reference date as well as those recorded subsequently, including the expected developments of the main economic variables, suitably weighted according to the probability of occurrence attributed to the several scenarios identified.

Dear shareholders,

We propose you approve the financial statements as at and for the year ended 31 December 2019 and the allocation of the profit for the year as follows:

Net profit for the year	Euro	5.160.891
Profits from previous years	Euro	245.544
Profits to allocate	Euro	5.406.435
Of which:		
5% of the profit to Legal Reserve	Euro	258.045
Profits to extraordinary reserve	Euro	4.902.846
Retained profits	Euro	245.544

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 support provided during the year, to all the Company's employees for their constant commitment, to the banks that use our services, the members of FCI - Factors Chain International and the bodies of Assifact.

Milan, March 9th, 2020

On behalf of the Board of Directors

Chairman
(Roberto Ruozi)

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENT OF THE FINANCIAL STATEMENTS

The financial statements of Factorit S.p.A. provide a statement of the company financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and a statement of cash flows and the report of the Board of Directors. The financial statements are 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 Financial Statements have been prepared basing on the Statement issued by Bank of Italy, within the regulatory powers conferred on it by D. Lgs no. 136/2015, on December 9th, 2016 and "the following updates", known as "The Financial Statements of IFRS intermediaries other than banks", which acknowledges and gives practical application to the international principles referred above and fully replaces the "Instructions for the Financial Statements preparation and reports of financial intermediaries, Payment Institutions, IMELs, IMEL, SGR" dated December 15th, 2015.
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, analyze 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	31/12/2019	31/12/2018
10. Cash and cash equivalents	2.062	1.457
30. Financial assets measured at fair value through OCI	65.076	65.076
40. Financial assets measured at amortised cost	2.330.125.724	2.345.326.438
a) with banks	12.752.502	58.509.174
b) with financial institutions	816.195	16.829.715
c) with customers	2.316.557.027	2.269.987.549
80. Property and Equipment	7.744.123	405.172
90. Intangible assets	386.700	210.798
100. Tax assets	25.459.393	29.669.026
a) current	1.749.753	5.259.024
b) deferred	23.709.640	24.410.002
120. Other assets	3.256.131	6.071.450
TOTAL ASSETS	**2.367.039.209**	**2.381.749.417**

Liabilities and Equity	31/12/2019	31/12/2018
10. Financial liabilities measured at amortised cost	2.099.070.293	2.114.653.287
a) debts	2.099.070.293	2.114.653.287
Financial liabilities		
60. Tax liabilities	2.784.267	8.210.947
a) current	745.006	6.171.717
b) deferred	2.039.261	2.039.230
80. Other liabilities	20.728.391	16.750.314
90. Post-employment benefits	2.255.181	2.324.050
100. Provisions for risk and charges	1.605.152	4.281.700
a) commitments and guarantees given	642.509	1.185.397
b) pension and similar provisions	-	-
c) other provisions for risks and charges	962.643	3.096.303
110. Share Capital	85.000.002	85.000.002
140. Share premium	11.030.364	11.030.364
150. Reserves	139.741.749	131.888.245
160. Valuation reserves	-337.081	- 242.996
170. Profit (Loss) for the year	5.160.891	7.853.504
TOTAL LIABILITIES AND EQUITY	**2.367.039.209**	**2.381.749.417**

INCOME STATEMENT

(Euro)

	31/12/2019	31/12/2018
10. Interests and similar income	22.624.814	25.938.813
of which: interest income calculated using the effective interest method	22.624.814	25.938.813
20. Interest and similar expense	-2.946.662	-3.359.005
30. NET INTEREST INCOME	**19.678.152**	**22.579.808**
40. Fee and commission income	24.515.807	24.205.622
50. Fee and commission expense	-3.141.050	-3.236.864
60. NET FEE AND COMMISSION INCOME	**21.374.757**	**20.968.758**
80. Net trading income	-5.317	5.927
120. TOTAL INCOME	**41.047.592**	**43.554.493**
130. Net impairment losses for credit risk on:	-9.957.256	-10.096.367
a) financial assets measured at amortised cost	-9.957.256	-10.096.367
b) financial assets measured at fair value through OCI	-	-
150. NET RESULT OF FINANCIAL MANAGEMENT	**31.090.336**	**33.458.126**
160. Administrative expenses:	-20.170.731	-21.449.688
a) personnel expenses	-13.974.365	-13.937.270
b) other administrative expenses	-6.196.366	-7.512.418
170. Net accruals to provisions for risks and charges	-3.350.082	-1.628.586
a) commitments and guarantees given	542.888	-1.004.885
b) Other net accruals	-3.892.970	-623.701
180. Depreciation and net impairment losses on property and equipment	-1.670.134	-188.703
190. Amortisation and net impairment losses on intangible assets	-86.205	-87.186
200. Other operating income, net	1.826.795	1.720.914
210. OPERATING PROFIT	**-23.450.357**	**-21.633.249**
250. Net gain on the sale of investments	8.772	4.801
260. PRE-TAX PROFIT FROM CONTINUING OPERATIONS	**7.648.751**	**11.829.678**
270. Income taxes	-2.487.860	-3.976.174
280. POST-TAX PROFIT FROM CONTINUING OPERATIONS	**5.160.891**	**7.853.504**
300. PROFIT (LOSS) FOR THE YEAR	**5.160.891**	**7.853.504**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

	31/12/2019	31/12/2018
10.Profit (loss) for the year	**5.160.891**	**7.853.504**
Other comprehensive income (expense), net of tax, that will not be reclassified to profit or loss		
20.Equity instruments designated at fair value through OCI		31.374
30.Financial liabilities designated at fair value through profit or loss (change in own credit rating)		
40.Hedging of equity instruments designated at fair value through OCI		
50.Property and equipment		
60.Intangible assets		
70.Defined benefit plans	(94.085)	44.297
80.Non-current assets held for sale and disposal groups		
90.Share of valuation reserves of equity-accounted investees		
Other comprehensive income (expense), net of tax, that will be reclassified to profit or loss		
100.Hedge of investments in foreign operations		
110.Exchange rate gains (losses)		
120.Cash Flow hedges		
130.Hedging instruments (not designed elements)		
140.Financial assets (other than equities) measured at fair value through OCI		
150.Non-current assets held for sale and disposal groups		
160.Share of valuation reserves of equity-accounted investees		
170.Total other comprehensive income (expense), net of tax	**(94.085)**	**75.671**
180.Comprehensive income (Caption 10+170)	**5.066.806**	**7.929.175**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Euro)

	Balance at 31/12/2018	Changes to opening balances	Balance at 01/01/2019	Allocation of prior year profit		Changes of the year							Comprehensive income 31/12/2019	Equity at 31/12/2019
							Equity transactions							
				Reserves	Dividends and other allocations	Change 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	122.719.043	-	122.719.043	7.853.504	-	-	-	-	-	-	-	-	130.572.547
b) other	9.169.202	-	9.169.202	-	-	-	-	-	-	-	-	-	9.169.202
Valuation reserves	(242.996)	-	(242.996)	-	-	-	-	-	-	-	-	(94.085)	(337.081)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	7.853.504	-	7.853.504	-	-	-	-	-	-	-	-	5.160.891	5.160.891
Equity	235.529.119	-	235.529.119	-	-	-	-	-	-	-	-	5.066.806	240.595.925

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(Euro)

	Balance at 31/12/2017	Changes to opening balances	Balance at 01/01/2018	Allocation of prior year profit		Changes of the year						Comprehensive income 31/12/2018	Equity at 31/12/2018
							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	113.546.225	-	113.546.225	9.172.818	-	-	-	-	-	-	-	-	122.719.043
b) others	4.953.710	4.215.492	9.169.202	-	-	-	-	-	-	-	-	-	9.169.202
Valuation reserves	(318.667)	-	(318.667)	-	-	-	-	-	-	-	-	75.671	(242.996)
Equity instruments	-	-		-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-		-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	15.122.818	-	15.122.818	(9.172.818)	(5.950.000)	-	-	-	-	-	-	7.853.504	7.853.504
Equity	229.334.452	4.215.492	233.549.944	-	(5.950.000)	-	-	-	-	-	-	7.929.175	235.529.119

It is noted in the table that the opening balance related to the item "other reserves" has been modified due to FTA accounting as the difference between the credit risk provision at 31/12/2017 IAS39 and the new provision calculated by adopting the new IFRS 9 accounting standard net of the tax impact.

STATEMENT OF CASH FLOWS

(Euro)

A. OPERATING ACTIVITIES	**31/12/2019**	**31/12/2018**
1. OPERATIONS	**15.526.079**	**20.119.811**
- profit or loss for the year (+/-)	5.160.891	7.853.504
- net losses on financial assets held for trading and on financial assets/liabilities at fair value through profit and loss (+/-)	5.317	(5.927)
- capital gains/losses on hedged assets (+/-)	-	-
- net impairment losses (+/-)	9.957.256	10.096.367
- net impairment losses on property and equipment and intangible assets (+/-)	1.756.339	275.889
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	(3.350.082)	(1.628.586)
- unsettled taxes and tax assets (+/-)	1.751.778	4.077.118
- other adjustments (+/-)	244.580	(548.554)
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**13.620.443**	**53.894.544**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other assets mandatorily measured at fair value	-	-
- financial assets measured at fair value through OCI	-	(43.273)
- financial assets measured at amortised cost	10.104.762	54.584.871
- other assets	3.515.681	(647.054)
3. CASH FLOWS USED FOR FINANCIAL LIABILITIES	**(34.127.960)**	**(58.778.474)**
- financial liabilities measured at amortised cost	(22.997.761)	(60.597.940)
- financial liabilities held for trading	-	-
- financia liabilities designated at fair value	-	-
- other liabilities	(11.130.199)	1.819.466
Net cash flows generated by operating activities	**(4.981.438)**	**15.235.881**
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY	**17.570**	**-**
- sales of property and equipment	17.570	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. CASH FLOWS USED TO ACQUIRE	**(131.479)**	**(325.773)**
- property and equipment	(125.801)	(129.708)
- intangible assets	(5.678)	(196.065)
- business units	-	-
Net cash flows used in investing activities	**(113.909)**	**(325.773)**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/repurchase of equity instruments	-	-
- dividend and other distributions	-	(5.950.000)
Net cash flows used by financing activities	**-**	**(5.950.000)**
TOTAL NET CASH FLOWS FOR THE YEAR	**(5.095.347)**	**8.960.108**

RECONCILIATION	**31/12/2019**	**31/12/2018**
Opening cash and cash equivalents	**16.498.484**	**7.538.376**
Total net cash flows for the year	(5.095.347)	8.960.108
Closing cash and cash equivalents	**11.403.137**	**16.498.484**

EXPLANATORY NOTES

Statement of reconciliation between the balance sheet balances as at 31 December 2018 and the new balance sheet figures as at 1 January 2019 envisaged by the new IFRS 16 accounting standard.

The table shows, for the individual items of the assets and liabilities in the Balance Sheet of the 6th update of the Bank of Italy Circular no. 262/2005, the impact arising from the adoption of IFRS 16 accounting standard. It should be noted that the rights of use are recognized in the item "Property and Equipment" and therefore they are not represented separately in the Statement of Financial Position.
The column "31/12/2018" shows the values of the balance sheet items on the same date, in the column "Variance" the values obtained applying the new accounting standard are stated, while in the column "01/01/2019" the new values of assets and liabilities are reported, determined following the new standard transaction, they are calculated as per the algebraic sum of the values stated in the other columns.

The data are shown in thousands of Euro.

Assets	**31/12/2018**	**VARIANCE**	**01/01/2019**
80. Property and Equipment	405	8.827	9.232
Total Assets	**2.381.749**	**8.827**	**2.390.576**

Liabilities and Equity	**31/12/2018**	**VARIANCE**	**01/01/2019**
10. Financial liabilities measured at amortised cost	2.114.653	8.827	2.123.480
a) debts	2.114.653	8.827	2.123.480
Total Liabilities and Equity	**2.381.749**	**8.827**	**2.390.576**

The disposals introduced by the new IFRS16 accounting standard entailed, during the first application, the recognition of the rights of use and the corresponding financial liabilities for property leases and car rental contracts with the exception for the "non-lease component" portion.
According to the IFRS 16.C12 provisions, the table shows the reconciliation of the leasing perimeters defined by the IAS 17 and the new accounting standard:

Reconciliation lease liabilities	**01/01/2019**
Minimum future liability payments as at 31 December 2018 - IAS 17 operating leasing commitments not discounted	**8.859**
Exceptions to the IFRS16 recognition:	**3**
- Contracts with a term within 12 months from the initial application data	-3
- Contract related to asset about modest value	-
Other changes	**-29**
Lease liabilities as at 1st January 2019 not discounted	**8.827**
Discounting effect	-
Lease liabilities as at 1st January 2019	**8.827**
Lease liabilitiess financial leasing as per IAS 19 al 1st January 2019	-
Total Lease liabilities as at 1st January 2019	**8.827**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 the reporting date, 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 on 9 December 2016 and "following updates".

Section 2 *General principles 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, expressed 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 according to a going concern approach;
2) Accruals basis of accounting: expenses and revenues are recognized 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 materials, are presented separately;
5) Offsetting: assets, liabilities, expenses and revenue are not offset except when required or allowed by a standard or interpretation or by Bank of Italy's instructions for the financial statements of financial intermediaries different from banks;
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 permits a different approach or requires otherwise. Qualitative information or comments are included when this is useful to understand the financial statements captions.

Display of comparative balances

Considering the first application of IFRS 16 accounting standard, Factorit Spa has not showed the comparative data.
Therefore, the Balance Sheet and Income Statement balances of the previous year, as drawn up with specific reference to financial instruments in compliance with the previously applicable IAS 17 principle (or to the accounting standards in force at 31 December 2018 and used for the purposes of preparing the Financial Statements for the same date, to which reference is made), are not fully comparable with the new accounting categories and with the relative valuation criteria introduced by the new standard.

Other reference IAS or IFRS

IAS 38 – Intangible assets

The purpose of this accounting standard is to define the accounting treatment of intangible assets not specifically mentioned in other accounting standards. The standard also specifies how to determine the book value of intangible assets and requires some specific information on them.

The IAS 38 requires that the company recognizes an intangible asset, if and only if, the following conditions are met:

a) IDENTIFICATION: the intangible asset, different from the goodwill, must be separable, separable from the entity and marketable, leased or licensed etc. or resulting from contractual rights or other legal rights.
b) CONTROL: the entity’s ability of benefit from the future economic advantages of the intangible asset and limit the access of third parties to these advantages (It is generally evidenced by the presence of legal protection on the asset)
c) FUTURE ECONOMIC BENEFITS: they may include the revenues obtained by the products/services sale or by cost savings.

Intangible assets - software: to be generated internally

In accordance to the standard accounting requirements, the company, regarding to the software solution generated internally, has defined the right procedures and in particular:

- It established the Investment Committee, chaired by the Managing Director, who analyses and approves the projects requested by the corporate functions, evaluating the conditions for being able to be classified among the intangible assets generated internally.
- It is equipped with a procedure for the management of the time reporting for the IT activities that have been done as single project. It enables to recognize the exact direct cost of internal and external resources used.
- It has adjusted its chart of accounts to recognize of the whole process and in particular:
  1) The cost incurred remains accounted in the relevant item.
  2) For the assets not yet into production, the costs incurred are suspended by recording them in a dedicated income statement account "Increases in internally

generated operating software" which is classified in balance sheet item 200. "Other operating income and charges" and in return the financial position statement account "Fixed assets in progress and advances generated internally".

3) When the software is into production, the amount is transferred to the financial position statement account "Operating software internally generated" and from this moment it is amortised based on the duration defined during the project approval phase.

IFRS 9 – The accounting standard on financial instruments

From 1st January 2018, the accounting standard IFRS 9 came into force. Its purpose is to define rules for financial reporting of financial assets and liabilities, which are pertinent and useful to users of the financial statements so that they can make their assessments about the amount, timing and uncertainty of the future cash flows of the Entity.
IFRS 9 largely reflects the scope of application of IAS 39. Most of the financial instruments falling within the scope of IAS 39 also fall within the scope of application of IFRS 9, even if the latter also includes other instruments, for which the application of the Standard is limited only to certain requirements.
The following table summarizes the financial instruments to which IFRS 9 applies to.

Area	Financial Instruments – Range of application
Classification and Measurement	• Financial assets and financial liabilities as defined by IAS 32 and regarding IAS 39 application area; • Derivatives as defined by IAS 39; • Contracts subject to "Own use Exemption"[1]; • Financial guarantees measured at fair value through profit or loss; • Underwriting positions measured at fair value through profit or loss.
Impairment	• Financial assets measured at amortised cost regarding IAS 39 application area and financial assets measured at fair value through OCI; • Lease contracts regulated by IAS 17; • Trade receivables and contract assets[2] that result from transactions as defined by "IFRS 15 Revenue from contracts with customers"; • Financial guarantees not measured at fair value trhough profit or loss; • Underwriting positions not measured at fair value through profit or loss.
Hedge Accounting	• Financial assets and financial liabilities as defined by IAS 32 and regulated by IAS 39; • Derivatives as defined by IAS 39, apart from some written options; • Signing commitments, future transactions or net investments in foreign transactions as defined by IAS 39.

[1] "Own-Use Exemption": a contract to purchase or sell a non-financial item that may be terminated by cash or in another financial instrument is excluded from the scope of IAS 39, if the contract has been concluded, and continues to be held, for the purposes of receipt or delivery of a non-financial item according to the needs of the purchase, sale, or use of the company. Although IFRS 9 retains the exemption, it allows an entity to irrevocably designate that contract, at the time of the constitution, to fair value through profit or loss. The designation can be made only in case of deletion or significant reduction of an accounting mismatch that would otherwise arise (IFRS 9 2.4-5).[2]

[2] "IFRS 15 defines as a "contract assets" the right of the entity to receive the consideration in exchange for the goods and services which it transferred to the customer, when this right is conditioned by something different from the passage of time (eg. future performance of the entity).

Main features of the accounting standard

Classification and measurement

Classification of financial assets

The new classification and measurement rules establish that the Entity classify the financial instruments based on both the following criteria *(IFRS 9 4.1.1)*:

a) business model defined by the Entity for the management of financial instruments;
b) characteristics of the contractual cash flows of the financial instruments.

Modification&Derecognition

The IFRS9 principle confirms the rules for the *derecognition* of financial assets already envisaged by IAS 39. However, the Standard includes a new guidance on:

a) Write-off of financial assets;
b) Change in contractual cash flows.

Purchased or originated credit impaired financial assets

IFRS 9 defines as purchased assets or originated credit-impaired (hereinafter POCI or written as) those financial assets that fall within the definition of impaired credit, at the time of initial recognition, maintaining the POCI attribute until cancellation. The above-mentioned category includes:

- the purchase of non-performing loans;
- the provision of non-performing loans, which concerns both contractual modifications that involve a cancellation of the old credit (*derecognition* event) and the recording of an impaired loan, and the provision of new loans to default customers.

Impairment

The IFRS 9 Principle replaces the concept of "verified" losses, with that of expected losses that envisages the recognition in the Financial Statements of the loss before it occurs; therefore, in general, all financial assets will have a bad debt provision.
The Principle also introduces changes in terms of scope of application, holding period used for estimating expected losses and introduces changes to valuation models that will have to consider *forward looking* and macroeconomic information.
The new *Impairment* model requires the classification into three stages of the financial instruments included in the scope of application of IFRS9. The three stages reflect the degree of deterioration in terms of credit quality.
On the date of initial recognition, the Entity identifies the classification of the financial asset into one of the three stages. If the performing asset does not show a significant increase in terms of credit risk it is classified into stage 1, otherwise it is classified into stage 2, the impaired assets are classified into stage 3. In the case of new disbursements on subjects classified as impaired status, these activities are classified into stage 3 as POCI.

Hedge Accounting

The IFRS 9 Principle presents the new Hedge Accounting model respect to the one envisaged by IAS 39.
The objective of the new Principle is that of obtaining a better alignment among:
- Risk management strategies;
- hedging logic;
- accounting and financial statement impacts determined by existing hedges.
With respect to this argument, no impacts were detected as the Banca Popolare di Sondrio Group decided to take advantage of the possibility, in compliance with IFRS 9, to continue to apply the Hedge Accounting requirements pursuant to IAS 39.

IFRS 15 – Revenue generated by contracts with customers

IFRS 15, applicable starting from 1 January 2018, was endorsed by the European Union with EU Regulation 2016/1905 of 22 September 2016 (published on 29 October 2016) and it modifies the current set of international accounting standards and revenue recognition interpretations and IAS 18, by introducing a single model for the recognition of revenues deriving from contracts with customers. The entity is required to recognize revenues based on the compensation that is expected to be received for products or services rendered, which is calculated on the basis of five steps: the identification of the contract, the identification of the individual obligations inherent in the same one, the determination of the transaction price, the allocation of the price to each of the individual obligations and the recognition of the revenues at the time the customer obtains control of the product or service.

IFRS 16 – Lease Accounting

The new IFRS 16 accounting standard, issued by IASB (International Accounting Standard Board) and conformed to the regulation nr. 1986/2017 by the European Commission, replaces the previous IAS 17 accounting standard and the related interpretations, starting from 1st January 2019, intervening on the definition of lease overcoming, for the leaser, the accounting dualism between financial and operating lease through the introduction of a unique accounting model based on the recognition in the financial statements of an asset (the Right of use) and the lease liabilities. From the leaser's point of view, the IFRS 16 is substantially in continuity with the previous IAS 17.
The purpose of the new international accounting standard is to ensure that "the lessees and the leasers provide appropriate information according to a method that represents the transactions faithfully. The information provides the Financial Statements users with all the elements to evaluate the lease effect on the financial position, the financial performance and the financial flows of the company".
At the beginning of the contract the entity should consider if the contract is or contains a lease. The contract is, or contains, a lease if it grants the right to control the use of a specific asset for a period, in return of a payment. To establish if the contract is, or contains, a lease, the entity should evaluate if during the whole period of utilization, the customer will obtain the right to receive all the financial benefits from the asset's utilization and the right of deciding on the asset's utilization.
At the effective date the lessee has to recognize the asset consisting in the right of use and the lease liability.
At the effective date the lease liability is obtained from the actual value of the due payments for the leasing not paid on this date. Then the lease liability's value is obtained

increasing the book value to consider the interests of the lease liability, decreasing it in order to consider the due payments for the lease that have already been paid and re-determining it to take into account any new assessments or changes to the lease.
At the effective date the evaluation of the asset's cost, consisting in the "right of use", includes the amount of the evaluation of the lease liability, the due payments for the lease that have already been paid on this date or before the effective date net of the incentives to the lease received, the initial direct costs incurred by the lessee and the estimate of the costs for dismantling or restoring the underlying asset. After the effective date the asset is assessed by applying a cost model, and therefore is amortised over the duration of the contract itself.
In economic terms, the lease payments previously accounted as administrative expenses are replaced by the recognition of interest expense on the lease liability and the depreciation allowances of the right of use.
According to the decision of the Holding, the company decided to not apply the so called "grandfathering", with the consequent restatement of the perimeter of the leasing transactions subject to the new accounting standard.
The company chose the recognition of the initial application's effects as per the "modified retrospective" approach, without retrospectively recognizing the effects of applying it in application of IAS 8.

The activities carried out to analyze the effects resulting from the adoption of the accounting standard and to ensure compliance with the same did not reveal impacts that affected the Company's Financial Statements 2019.

Section 3 *Events after reporting date*

Pursuant to IAS 10, the Board of Directors authorized the publication of the Financial Statements on 9th March 2020.
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.
Please refer to the Director's Management Report in the paragraph "Significant events after the end of the year" for considerations related to the impacts of Coronavirus.

Section 4 *Other issues*

For the 2019 tax year, Factorit accepted, in the BoD of 30th October 2019, the invitation of the Parent Company to participate to the legislation relating to the so-called "National Tax Consolidation" as governed by the rules contained in articles 117 to 129 of the TUIR.
To this end, the Parent Company also sent a copy of the "Rules for participation in the consolidated financial statements of Banca Popolare di Sondrio Group".
About the IAS 1.125, please refer to the paragraphs "Risks related to the business".
Besides, about the estimate's recoverability of prepaid taxes, value adjustments on loans, legal and tax risks, please remember that the assumptions and the uncertainties of the estimates involve the risk that adjustments to the book value of the asset and liability may occur, possibly also within the following year, as also referred into the document of Bank of Italy, Consob and Isvap of 6th February 2009.
The preparation of the financial statements requires the use of estimates and assessments that can significantly impact the values recorded in the balance sheet and in the income

statement regarding in particular loans, evaluation of financial assets and quantification of employee's funds and provisions for risks and charges and for the estimate of the recoverability of prepaid taxes.
These valuation's estimates were made basing on the assumption of the business continuity, excluding the possibility of forced sales of the assets being valued. The related disclosure details are provided in the commentary on the accounting policies relating to the balance sheet aggregates.
The company defined the estimate's processes to support the recording value of the most significant valuation items accounted in the financial statements 2019, as required by current accounting standards and by reference regulations.
The analysis carried out confirm the registration's values of the mentioned items at 31st December 2019.
However, it should be noted that the evaluation process described is made particularly complex by the persistence of a macroeconomic and market context which makes it always difficult to formulate performance forecasts, even of a short term, relating to financial parameters that significantly affect the values being considered in the estimate.
The parameters and the information used for the verification of the values mentioned in the previous paragraphs are significantly affected by the macroeconomic and market context, which could register, as it has already happened in the past, fast changes not predictable today, with relevant effects, even relevant, on the values stated in the financial statements 2019.

Referring to the Information of public funds pursuant to the art. 1, paragraph 125 of the law 4th August 2017 n. 124 (Annual market and competition law) the companies must provide in the notes to the financial statements the information relating to "grants, contributions, paid offices and anyway economic advantages of any kind". Failure to comply with the publication obligation involves the return of the sums received to the lenders.
Given the above, the amounts collected during the 2019 financial year are provided below.

In the specific case, these amounts result in aid to staff training (inter-professional funds for continuous training) provided by the Banks and Insurance Fund and structured as follows:

Lending Institution	**Beneficiary Institution**	**Grant Date**	**Required amount**	**Total Amount disbursed**	**Amount disbursed in the year**
Banks and Insurance Fund	Factorit S.p.a	Jan-2016	69.000	69.000	-
Banks and Insurance Fund	Factorit S.p.a	Feb-2016	21.634	21.634	21.634
Banks and Insurance Fund	Factorit S.p.a	26/10/2017	75.920	75.920	75.920
Banks and Insurance Fund	Factorit S.p.a	23/03/2018	2.543	-	-
Banks and Insurance Fund	Factorit S.p.a	07/03/2018	1.543	-	-
Banks and Insurance Fund	Factorit S.p.a	14/12/2018	52.200	-	-

During the preparation of these financial statements, changes in accounting standards already in force have been considered.

During the preparation of these financial statements the Company has not made exceptions to international accounting standards.

The external auditing company is EY S.p.A., as per the resolution of the Shareholders' Meeting of 20th September 2017, whose mandate expires on the date of approval of the financial statements of Factorit S.p.A. as of 31st December 2025.

A.2 – MAIN BALANCE SHEET ITEMS

For each item of the Balance Sheet and for some items of the Income Statement the following points are showed:

- recognition criteria;
- classification criteria;
- measurement criteria;
- derecognition criteria;
- recognition of costs and revenues.

ASSETS

Section 3 *Financial assets measured at fair value through OCI*

3.1 Recognition criteria

The assets included under this caption are entered on the date of settlement. The financial assets measured at fair value are initially registered based on the fair value that normally correspond to the current value of the fee paid to acquire it, including, for credits and for securities longer than the short term, any transaction costs or revenues attributable specifically to each credit or title.
About debt securities and funds, any business model changes attributable to the lack of consistency between portfolio management and the chosen business model, or due to significant changes in strategic choices, will be decided by the Board of directors and in this place will be defined any reclassification.
Regarding equity securities there is no possibility of reclassification. The execution of the fair value through OCI option, that is, the option provided for by the Principle that allows when it comes to initial recognition, to define the equity instruments at fair value at Equity, is indeed irrevocable.

3.2 Classification criteria

This item includes financial assets (equity securities) classified in the portfolio measured at fair value with impact on the overall profitability.
The classification within the portfolio measured at fair value with impact on the overall profitability, requires:

- for the equity securities, that the fair value through OCI option it is irrevocably executed when subscripted.

3.3 Measurement criteria

With regard to equity securities, it is not necessary to carry out the *Impairment Test* at the end of every financial year because the *fair value* changes due to a deterioration of the credit status are attributable to an Equity Reserve, denominated “Valuation Reserves”.

3.4 Derecognition criteria

The financial assets measured at fair value are deleted when the contractual rights on the financial flows deriving from the assets themselves expire or when the financial asset is sold, essentially transferring all the risks and benefits connected to it.

3.5 Criteria for recording income components

Revenues and costs deriving from a change in the fair value, net of the related deferred tax effect, are recorded in a specific equity reserve, denominated “Valuation Reserves”.

Section 4 *Financial assets measured at amortised cost*

4.1 Recognition criteria

The financial assets measured at amortised cost are recognized on settlement date basing on their fair value, that usually correspond to the fee paid, comprehensive of the transaction fees.
Among the financial assets measured at amortised cost advances paid out against the assignment of receivables with recourse, or without recourse without substantial transfer of risks and benefits, can be included.
Receivables assigned to the Company against the assigned debtor are also included, for which the substantial transfer of risks and benefits to the assignee company has been noted through analytical assessment of the contractual clauses.
Whether transferred to third parties, receivables and securities are derecognized only if, and to the extent that, all risks and rewards are substantially transferred. Any changes in the business model attributable to the lack of coherence between the management of the portfolio and the chosen business model, or due to significant changes in the strategic choices, are decided by the Board of Directors and the eventual reclassification will be defined.

4.2 Classification criteria

Under this caption can be visualized debt securities and loans allocated in the portfolio measured at amortised cost. A financial asset that is included in the afore-mentioned portfolio must be managed through an HTC business model and be compliant with the SPPI Test.
For the execution of the SPPI Test, the Company, in accordance with the Guidelines of the Parent Company, adopts a differentiated approach (massive or analytical) according to the level of standardization of the contracts, distinguishing between:

- Standard Products (funds with common contractual characteristics for macro product categories)
- Non-standard Contracts (funds with contractual characteristics negotiated with individual counterparties)

Therefore, for standard products it is possible to assign a test result at the product category level, analyzing the common contractual characteristics; the result of the Test will therefore be valid for all the funds related to standard products. Non-standard contracts, having particular contractual characteristics, require to be individually verified. The Test must therefore be performed for a single contract, which will be assigned a valid outcome only for the same one.
The following are therefore subject to detection: receivables from banks, from financial companies and from customers, as well as unlisted debt securities that the Company does not intend to sell in the short term.

4.3 Measurement criteria

IFRS 9 replaces the concept of credit losses, with the expected loss approach. Based on this new approach, it will no longer be necessary for a loss to occur before it is recognized in the balance sheet and therefore, generally, all financial assets will lead to the creation of a bad debt provision.

IFRS 9 defines several changes in terms of scope of application, holding period used to estimate expected losses. It introduces changes to valuation models that will have to consider, for example, macroeconomic and forward-looking information.

The new impairment model requires the classification into three stages of the financial instruments included in the scope of application of IFRS 9. The three stages reflect the degree of deterioration in terms of credit quality:

stage 1: financial instruments that did not have a significant increase of the credit risk since the initial registration or with a low credit risk at the balance sheet date.
stage 2: financial instruments that had a significant increase of the credit risk since the initial registration (unless they have low credit risk at the balance sheet date), but they have no objective evidence of impairment;
stage 3: financial assets with objective evidence of loss at the balance sheet date.

At each balance sheet date, the Entity assesses whether there has been a significant change in credit risk with respect to the initial recognition (refer to the information in section 3 "Information on risks and related hedging policies"). In this case there will be a transfer between stages: this model is symmetrical, and the activities can move between the different stages.
The valuation of the financial assets measured at amortised cost takes place on the bases of the expected credit loss computation (“expected credit loss”), that is defined as an estimate of the weighted probabilities of credit losses over the expected life of the financial instrument weighted by the probability of occurrence, where it is calculated based on the stage classification defined above.
In particular:

- Expected loss at 12 months, for the activities classified into stage 1. The expected losses at 12 months are those deriving from default events that are possible in the next 12 months (or in a shorter period if the expected life is less than 12 months), weighted by the probability that the default event will occur.
- Expected loss "Lifetime", for activities classified into stage 2 and into stage 3. Expected lifetime losses are those deriving from default events that are possible throughout the expected life of the financial instrument, weighted by the probability of default. In the case of with recourse financings of performing customers, the classification of debtors is considered in the event that the credit risk is transferred to them as required by the prudential supervisory provisions for non-bank intermediaries.

With reference to performing loans, the valuation takes place on a flat-rate basis, considering the risk parameters of Probability of Default (PD) and Loss Given Default (LGD), as well as the exposure at the time of default (EAD).
With reference to the collective valuations of performing loans, the qualitative expiry of debtors (deteriorated or impaired portfolios) occurs in the presence of increases in the relative "PD proxy" and the LGD (parameter representing the loss rate in the event of default) of the credits belonging to 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 an historical database of non-performing and unlikely-to-pay exposures.

At the time of disbursement or purchasing, receivables or securities are accounted for at fair value, which normally coincides with the amount disbursed, or at the purchase price, also including, for receivables and for securities longer than the short term, any transaction costs or revenues attributable specifically to each credit or security.

After the initial recognition, valuations base on the amortised cost principle, subjecting the receivables and securities to an impairment test if symptomatic evidence of the state of deterioration of the solvency of debtors or issuers is present. The amortised cost method is not used for short-term receivables, for which the effect of the discounting logic is negligible.

With reference to deteriorated status positions, the assessment can be made on a flat-rate or analytical basis. Specifically, they are defined, based on the criteria established by the Bank of Italy and in force as of December 31, 2019:

a) Non-performing exposures;
b) Unlikely-to-pay exposures;
c) Exposures that are past due more than 90 days.

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 realizable 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

In particular, 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, also estimated based on the state of the procedures in place for credit recovery;
c) "historical" discount rates, being the contractual rates at the time the individual exposure is classified as "under dispute".

Pursuant to the ruling regulations, the company identifies exposures that are impaired past due, the so called "impaired past due".
For this segment, starting from 2013, an individual write-down was carried out on a collective basis, i.e. applying to each credit an equal write-down percentage for all subjects in the same situation. This percentage was determined basing on internal management statistics. It should be noted that the so-called "impaired past due" is not subject to any discounting.
It should be noted that, in accordance with the timing adopted by the Parent Company in the event of failure to indicate the exact recovery date, these times have been estimated in 4 years for both non–performing and unlikely-to-pay exposures. About the effects of the stated application, please refer to section 8.1 of the Income Statement in these Notes.

4.4 Derecognition criteria

These financial assets are derecognized when their sale entails the substantial transfer of all the related risks and rewards and no control over them is maintained.
IFRS 9 confirms the *derecognition* rules of financial assets already provided for by IAS 39.
However, the Principle includes a new *guidance* on:

- Write-off of financial assets: when the Entity has no reasonable expectations of recovering the contractual cash flows on the financial asset, either entirely or partially, it must directly reduce the gross carrying amount of the financial asset. This write-down constitutes a case of partial or total accounting elimination of the asset.
- Change in contractual cash flows: when a change occurs on the contractual cash flows, the Entity must assess whether this change entails or does not involve derecognition, therefore if this change is significant.

When the change in the contractual cash flows of the financial asset does not result in the *derecognition* of the financial asset in accordance with this Standard, the Entity must recalculate the gross carrying amount of the financial asset and recognize a profit or loss in the income statement because of the change.

When the change in the contractual cash flows of the financial asset determines the *derecognition* of the financial asset in accordance with this Standard, the Entity proceeds with the accounting elimination of the existing financial asset and the subsequent recognition of the modified financial asset: the modified asset is considered as a "new" financial asset for the purposes of this Standard (IFRS 9 B5.5.25).

4.5 Recognition of costs and revenues

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

a) interest income from loans and receivables is recognised in “interest and similar income”;
b) impairment losses and increases in value of loans and securities are recognised in “Net impairment losses for credit risk on financial assets measured at amortised cost”.

It should be noted that for financial assets classified in stage 3 and for originated or purchased impaired loans (POCI), for which, according to IFRS 9, interests are calculated using the net interest method, the portion of non-recoverable interest is reversed from the item «Interest income and similar income» with a contra-entry to the item «Financial assets valued at amortised cost».

Section 8 *Property and Equipment*

8.1 Recognition criteria

Property and equipment are originally recognized 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 recognized to the income statement on an accrual basis.

8.2 Classification criteria

The item includes assets used in the company operations (buildings, furnishings, furniture, systems, hardware and cars) both owned and the right of use acquired by the leasing; regarding to this last type, refer to the paragraph Accounting Policies for the introduction of the new IFRS 16 accounting standard description.

8.3 Measurement criteria

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 and it is based on the straight-line depreciation method. 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 and the eventual value losses are registered. The value's increase after the execution of the impairment test cannot exceed the value of the good net of depreciation if the impairment test hadn't been done.

8.4 Derecognition criteria

Property and equipment are derecognized on disposal and no future economic benefits are expected from their use.

8.5 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 recognized 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 9 *Intangible Assets*

9.1 Recognition criteria

Intangible assets are recognised at cost, including related charges and costs incurred to increase their value and initial production capacity.

9.2 Classification criteria

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.

They are represented by *acquired software and software generated internally*. For this last type, refer to the paragraph Accounting Policies for the part about the IAS 38 accounting standard adoption.

9.3 Measurement criteria

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 regularly checks 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.

9.4 Derecognition criteria

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use.

9.5 Recognition of costs and revenues

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

a) amortisation, impairment losses and reversals of impairment losses are recognized 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 10 *Tax assets and liabilities*

10.1 Recognition, derecognition and measurement criteria

Deferred tax assets are recognised under the *balance sheet liability method* only when it is probable that the company will have enough taxable profit in the same period as the reversal of the deductible temporary differences while deferred tax liabilities are always recognized with the exeptions provided for by IAS12. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be realizable to allow the use of part or all of that deferred tax asset. Any reduction will subsequently be reversed to the extent that it becomes probable that sufficient taxable income can be realized.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to be applicable in the year in which the asset will be realized or the liability will be settled, based on the tax rates (and tax legislation) in force or substantially in force at the balance sheet date.

10.2 Classification criteria

These items include current and deferred tax assets and liabilities.
Since the adhesion of the company to the “National Tax Consolidation”, starting from this year the current tax assets include the IRAP tax advances and the additional IRES and therefore the current IRES tax advances are paid to the Holding Company. The tax liabilities include the debts to be paid for income taxes for the period relating to IRAP and the additional IRES. Since the adhesion of the company to the “National Tax Consolidation” the debts related to current IRES tax are accounted in the item “Other liabilities” as a debt to the Holding Company.
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).

10.3 Recognition of costs and revenues

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

LIABILITIES

Section 1 *Financial liabilities measured at amortised cost*

1.1 Recognition criteria

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.

1.2 Classification criteria

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 configure among the company's normal financing operations.
Due to financial institutions and customers include 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.

1.3 Measurement criteria

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

1.4 Derecognition criteria

Financial liabilities are derecognised when the related contractual rights expire or are extinguished.

1.5 Recognition of costs and revenue

Costs and revenue are recognised as follows in the income statement:
a) interest expense is recognized in "interest and similar expense"

Section 9 *Post-employment benefits*

9.1 Classification criteria

The post-employment benefits are the benefits due by the company to all its employees when they resign.

9.2 Measurement criteria

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.

9.3 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 10 *Provisions for risks and charges*

10.1 Recognition, measurement and derecognition criteria

Where the effect of the present value of money is material (it is expected that the expense will occur over 12 months from the recognition date), 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.

10.2 Classification criteria

The caption includes the following provisions:
- Within the sub-caption "commitments and guarantees given", the funds for credit risk must be indicated against commitments to grant funds and financial guarantees issued that are subject to the rules of devaluation of IFRS 9 and funds on other commitments and other guarantees that are not subject to the IFRS 9 write-down rules. These provisions also refer to the financial guarantees issued and the commitments to grant funds which are measured at the initial registration value net of the total revenues recognized in accordance with IFRS 15.
- The sub-caption "Other provisions - personnel expenses" includes the charge deriving from the payment of the bonus to employees of an uncertain amount or expiry that can be recognized in the financial statements when there is a probable obligation, with a reliable estimate of the amount, and that to fulfill the obligation it will be necessary to use economic resources.
- The sub-caption "Other funds - legal disputes" includes, subject to the rules of IAS 37, the funds set aside for liabilities of uncertain amount or maturity, which can be recognized in the financial statements when the following contextual conditions are met: or the company has a present obligation (legal or implicit), that is to say ongoing at the balance sheet date, as a result of a past event; o it is probable that the use of economic resources will be necessary to fulfill the obligation; or a reliable estimate can be made of the amount necessary to fulfill the obligation.

10.3 Recognition of costs and revenue

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

Foreign currency transactions

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

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

Measurement criteria
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 accrual 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.
In particular:

- 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 accrual's basis;
- default interest is recognized 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 accrual's 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 – DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

During the period the company has not transferred financial assets from one portfolio to another.

A.4 – FAIR VALUE DISCLOSURE

QUALITATIVE INFORMATION

Fair value is the price that would be received to sell an asset in an in a free transaction between aware and independent parties. 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 make 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 Input: the *fair value* of the financial instruments classified at this level is determined on the basis of quoted prices in an active market. A quoted price in an active market provides the most reliable evidence of fair value.
Level 2 Input: the *fair value* of the financial instruments classified at this level refers to market parameters different from the prices of the financial instruments.
Level 3 Input: the *fair value* of the financial instruments classified at this level refers to not observable market data. An entity shall develop unobservable *input* 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 input 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 considering the related credit risk.
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 categorized 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 INFORMATION

A.4.5 *Fair value* hierarchy

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

Assets and liabilities measured at fair value	Level 1	Level 2	Level 3	TOTAL
1. Financial assets measured at fair value through profit or loss	-	-	-	-
a) financial assets held for trading	-	-	-	-
b) financial assets designated at fair value	-	-	-	-
c) other financial assets mandatorily valued at fair value	-	-	-	-
2. Financial assets measured at fair value through OCI	-	-	65.076	65.076
3. Hedging derivatives	-	-	-	-
4. Property and equipment	-	-	-	-
5. Intangible assets	-	-	-	-
Total	-	-	**65.076**	**65.076**
1. Financial liabilities held for trading	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total	-	-	-	-

A.4.5.2. Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through OCI	Hedging derivatives	Property and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	-	-	-	-	**65.076**	-	-	-
2. Increases	-	-	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits charged to:	-	-	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-	-	-
of which: Profit	-	-	-	-	-	-	-	-
2.2.2 Equity	-	-	-	-	-	-	-	-
2.3. Changes from other levels llevels	-	-	-	-	-	-	-	-
2.4. Other changes in increase	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses charged to:	-	-	-	-	-	-	-	-
3.3.1 Income Statement	-	-	-	-	-	-	-	-
of which: Loss	-	-	-	-	-	-	-	-
3.3.2 Equity	-	-	-	-	-	-	-	-
3.4. Changes from other levels	-	-	-	-	-	-	-	-
3.5. Other changes in decrease	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	**65.076**	-	-	-

A.4.5.4 Assets and liabilities not measured at *fair value* or measured at fair value not on a recurring basis: breakdown by *fair value* level

Assets/Liabilities not mieasured at fair value or measured on a recurring basis	31/12/2019				31/12/2018			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	2.330.125.724			2.330.125.724	2.345.326.438			2.345.326.438
2. Tangible assets held for investments								
3. Non-current assets held for trade and disposal groups								
Total	**2.330.125.724**			**2.330.125.724**	**2.345.326.438**			**2.345.326.438**
1. Financial liabilities measured at amortised cost	2.099.070.293			2.099.070.293	2.114.653.287			2.114.653.287
2. Liabilities associated to assets disposal								
Total	**2.099.070.293**			**2.099.070.293**	**2.114.653.287**			**2.114.653.287**

A.5 – DISCLOSURE ON "DAY ONE PROFIT/LOSS"

The *day one profit/loss*, regulated by IFRS 7, 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 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*

The asset account relating to caption 10 is illustrated in this section.

	31/12/2019	31/12/2018
a) Cash	2.062	1.457
b) Demand deposits with Central Banks	-	-
Total	**2.062**	**1.457**

Section 3 *Financial assets measured at fair value through oci – Caption 30*

The asset account relating to caption 30 is illustrated in this section.

3.1 Financial assets measured at fair value through OCI: breakdown by product

Captions/Amounts	31/12/2019			31/12/2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments						
1.1. Structured						
1.2. Other						
2. Equity instruments			65.076			65.076
3. Financing						
Total			**65.076**			**65.076**

Equity securities are represented exclusively by participation in the Compagnia Aerea Italiana spa since, from July 4, 2017, the company has converted the receivable in compliance with the restructuring agreement of December 22, 2014. In particular, in relation to a fully impaired receivable of € 8.644.250,59 the company received n. 824.833.073 class 1 shares.

3.2 Financial assets measured at fair value through OCI: breakdown by debtor/issuer

	31/12/2019	31/12/2018
1. Debt instruments		
a) Public administrations		
b) Banks		
c) Other financial institutions of which: insurance institutions		
d) Non-financial institutions		
2. Equity instruments	65.076	65.076
a) Public administrations		
b) Banks		
c) Other financial institutions of which: insurance institutions		
d) Non-financial institutions	65.076	65.076
3. Financing		
a) Public administrations		
b) Banks		
c) Other financial institutions		
of which: insurance institutions		
d) Non-financial institutions		
e) Households		
Total	**65.076**	**65.076**

Section 4 *Financial assets measured at amortised cost – Caption 40*

The asset account relating to caption 40 is illustrated in this section.

4.1 Financial assets measured at amortised cost: breakdown by product of loans and receivables with banks

Composition	31/12/2019						31/12/2018					
	Carrying Amount			Fair value			Carrying Amount			Fair value		
	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3
1. Deposits and current accounts	**11.401.075**	-	-	-	-	**11.401.075**	**16.497.027**	-	-	-	-	**16.497.027**
2. Financing	**48.211**	-	-	-	-	**48.211**	**39.916.723**	-	-	-	-	**39.916.723**
2.1 Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Financial Leases	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	-	-	39.792.548	-	-	-	-	39.792.548
- with recourse	-	-	-	-	-	-	39.792.548	-	-	-	-	39.792.548
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other financing	48.211	-	-	-	-	48.211	124.175	-	-	-	-	124.175
3. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
3.2 other	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets	**1.303.216**	-	-	-	-	**1.303.216**	**2.095.424**	-	-	-	-	**2.095.424**
Total	**12.752.502**	-	-	-	-	**12.752.502**	**58.509.174**	-	-	-	-	**58.509.174**

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

“Deposits and current accounts” of Euro 11.401.075 consists of temporary liquidity deposited with banks, mainly originating from cash inflows at year end.

Caption 4 “Other assets” includes:

- Euro 15.489 for items under investigation, in particular reversal of credit commissions erroneously charged to us;
- Euro 1.287.727 for amounts advanced to loans on behalf of banks, as part of factoring operations managed in pools, in which Factorit assumes the role of leader.

4.2 Financial assets measured at amortised cost: breakdown by products of loans and receivables with financial institutions

Composition	31/12/2019						31/12/2018					
	Carrying Amount			Fair value			Carrying Amount			Fair value		
	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3
1. Financing	**812.988**		-	-	-	**812.988**	**16.798.050**	**28.248**		-	-	**16.826.298**
1.1 Reverse repurchase agreement	-		-	-	-	-	-	-	-	-	-	-
1.2 Financial leases	-		-	-	-	-	-	-	-	-	-	-
1.3 Factoring	812.968		-	-	-	812.968	1.676.743	433	-	-	-	1.677.176
- with recourse	812.968		-	-	-	812.968	1.676.743	433	-	-	-	1.677.176
- without recourse	-		-	-	-	-	-	-	-	-	-	-
1.4 Other financing	20		-	-	-	20	15.121.307	27.815	-	-	-	15.149.122
2. Debt instruments	-		-	-	-	-	-	-	-	-	-	-
2.1 structured	-		-	-	-	-	-	-	-	-	-	-
2.2 other	-		-	-	-	-	-	-	-	-	-	-
3. Other assets	**3.207**		-	-	-	**3.207**	**3.417**	-		-	-	**3.417**
Totale	**816.195**		-	-	-	**816.195**	**16.801.467**	**28.248**	-	-	-	**16.829.715**

The fair value of loans and receivables with financial institutions is their carrying amount, as these financial assets are mostly on demand and short term, net of adjustments. Caption 1.4 “Other financing” includes advances for assignments of receivables that do not fall within the scope of Law no. 52/91.

4.3 Financial assets measured at amortised cost: breakdown by products of loans and receivables with customers

Composition	31/12/2019						31/12/2018					
	Carrying Amount			Fair value			Carrying Amount			Fair value		
	First and second stage	Third stage	First and second stage	Third stage	First and second stage	Third stage	First and second stage	Third stage	First and second stage	Third stage	First and second stage	Third stage
1. Financing	**2.303.815.963**	**12.736.743**	-	-	-	**2.316.522.706**	**2.249.493.603**	**20.481.523**	-	-	-	**2.269.975.126**
1.1 Financial leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	2.209.684.794	11.820.945	-	-	-	2.221.505.739	2.134.973.252	20.474.218	-	-	-	2.155.447.470
- with recourse	1.605.611.378	10.727.922	-	-	-	1.616.339.300	1.617.597.170	20.135.518	-	-	-	1.637.732.688
- without recourse	604.073.416	1.093.023	-	-	-	605.166.439	517.376.082	338.700	-	-	-	517.714.782
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	94.131.169	915.798	-	-	-	95.046.967	114.520.351	7.305	-	-	-	114.527.656
of which: from the enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**4.321**	-	-	-	-	**4.321**	**12.423**	-	-	-	-	**12.423**
Total	**2.303.820.284**	**12.736.743**	-	-	-	**2.316.557.027**	**2.249.506.026**	**20.481.523**	-	-	-	**2.269.987.549**

The *fair value* of loans to customers is assumed to be equal to the book value, since it is essentially on-demand and short-term financial assets, net of adjustments. Impaired assets are recognized at their estimated recoverable amount.
The performing "Other financing" includes:
- Euro 733.067 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 93.398.084 of advances for assignments for loans and receivables that do not fall under the scope of Law no. 52/91;
- Euro 18 related to other financing.

The impaired "Other financing" includes:
- Euro 1.419 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 914.379 related to other financing.

4.4 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans and receivables with customers

Type of operations/Amounts	31/12/2019			31/12/2018		
	First and second stage	Third stage	of which: purchased or originated credit impaired financial assets	First and second stage	Third stage	of which: purchased or originated credit impaired financial assets
1. Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Other financial institutions	-	-	-	-	-	-
of which: insurance institutions	-	-	-	-	-	-
c) Non-financial institutions	-	-	-	-	-	-
2. Financing to:	**2.304.636.479**	**12.736.743**	-	**2.266.307.492**	**20.509.772**	-
a) Public administrations	24.728.001	189.867	-	-	263.503	-
b) Other financial institutions	816.195	-	-	16.801.467	28.248	-
of which: insurance institutions	-	-	-	-	-	-
c) Non-financial institutions	2.261.622.847	12.524.895	-	2.245.064.085	20.204.075	-
d) Households	17.469.436	21.981	-	4.441.940	13.946	-
3. Other Assets	-	-	-	-	-	-
Total	**2.304.636.479**	**12.736.743**	-	**2.266.307.492**	**20.509.772**	-

4.5 Financial assets measured at amortised cost: gross amount and total gross impairment losses

	Gross amount				Total gross impairment losses			Total partial Write-off *
	First stage	Of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt Instruments	-	-	-	-	-	-	-	-
Financing	2.149.560.163		169.747.063	49.141.480	1.737.261	180.984	36.404.737	48.345.912
Other Assets	-	-	-	-	-	-	-	
Total 31/12/2019	**2.149.560.163**		**169.747.063**	**49.141.480**	**1.737.261**	**180.984**	**36.404.737**	48.345.912
Total 31/12/2018	2.207.814.599		119.801.303	55.620.262	2.556.387	242.849	35.110.490	55.639.602
Of which: purchased or originated impaired financial assets				12.103			12.103	

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2019						31/12/2018					
	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:			**812.968**	**812.968**	**1.686.987.715**	**1.670.231.995**	**39.792.549**	**39.792.549**	**1.634.615**	**1.634.615**	**1.645.065.330**	**1.644.968.922**
– Assets under finance lease												
– Factoring receivables			576.224	576.224	1.548.737.507	1.548.737.507	39.792.549	39.792.549	232.415	232.415	1.536.217.000	1.536.217.000
– Mortgages												
– Pledges												
– Collateral			236.744	236.744	138.250.208	121.494.488			1.402.200	1.402.200	108.848.330	108.751.922
– Credit derivatives												
2. Impaired assets guaranteed by:					**7.288.109**	**7.288.109**					**12.987.336**	**12.987.336**
– Assets under financial lease												
– Factoring receivables					6.264.171	6.264.171					12.662.192	12.662.192
– Mortgages					73.955	73.955					272.735	272.735
– Pledges												
– Collateral					949.983	949.983					52.409	52.409
– Credit derivatives												
Total			**812.968**	**812.968**	**1.694.275.824**	**1.677.520.104**	**39.792.549**	**39.792.549**	**1.634.615**	**1.634.615**	**1.658.052.666**	**1.657.956.258**

CA = carrying amounts of assets
FV = *fair value* of guarantees

The table shows the guarantees received for performing and impaired assets.

Pursuant to the regulations about assignment receivable's disposals that do not fall under the Law no. 52/91, the "factoring 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 8 *Property and equipment – Caption 80*

The asset account relating to caption 80 is illustrated in this section.

8.1 Property and equipment: assets measured at cost

Assets/Amounts	31/12/2019	31/12/2018
1. Owned	**329.355**	**405.172**
a) land		
b) buildings		
c) furniture	56.991	79.830
d) electronic system	43.285	59.758
e) other	229.079	265.584
2. Rights of use under leasing	**7.414.768**	
a) land		
b) buildings	7.345.503	
c) furniture		
d) electronic system		
e) other	69.265	
Total	**7.744.123**	**405.172**
Of which: obtained through the enforcement of guarantees received		

With regard to the item "Rights of use under leasing", in accordance to the new IFRS 16 in force, it is noted that the amount of property leasing contract with the Parent Company and companies of the group is included in the "buildings" category, for the amount of Euro 7.170.859.

8.6 Property and equipment: annual changes

	Land	Buildings	Furniture	Electronic system	Other	Total
A. Gross opening balance	-	**-**	**398.905**	**1.193.677**	**726.876**	**2.319.458**
A.1 Total net impairment losses	-	-	319.075	1.133.919	461.292	1.914.286
A.2 Net opening balance	**-**	**-**	**79.830**	**59.758**	**265.584**	**405.172**
a) Adjustment opening balance (IAS 8)	**-**	**8.730.427**	**-**	**-**	**96.857**	**8.827.284**
B. Increases	**-**	**40.797**	**6.256**	**7.836**	**134.290**	**189.179**
B.1 Purchase	-	40.797	6.256	7.836	134.290	189.179
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit &loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**1.425.721**	**29.095**	**24.309**	**198.387**	**1.677.512**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1.425.721	28.742	23.369	192.302	1.670.134
C.3 Impairment losses recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
C.4 Fair value losses recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Trasfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	-	353	940	6.085	7.378
D. Net closing balance	**-**	**7.345.503**	**56.991**	**43.285**	**298.344**	**7.744.123**
D.1 Total net impairment losses	-	1.425.721	347.136	355.093	570.941	2.698.891
D.2 Gross closing balance	-	**8.771.224**	**404.127**	**398.378**	**869.285**	**10.443.014**
E. Measurement at cost	-	**7.345.503**	**56.991**	**43.285**	**298.344**	**7.744.123**

The below table shows the data accounted basing on the new IFRS16 only.

	Land	Buildings	Furniture	Electronic system	Other	Total
A. Gross opening balance	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Total net impairment losses	-	-	-	-	-	-
A.2 Net opening balance	**-**	**-**	**-**	**-**	**-**	**-**
a) Adjustment opening balance (IAS 8)	-	**8.730.427**	**-**	**-**	**96.857**	**8.827.284**
B. Increases	**-**	**40.797**	**-**	**-**	**22.582**	**63.379**
B.1 Purchase	-	40.797	-	-	22.582	63.379
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit &loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**1.425.721**	**-**	**-**	**50.174**	**1.475.895**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1.425.721	-	-	50.174	1.475.895
C.3 Impairment losses recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
C.4 Fair value losses recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Trasfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Net closing balance	**-**	**7.345.503**	**-**	**-**	**69.265**	**7.414.768**
D.1 Total net impairment losses	-	1.425.721	-	-	50.174	1.475.895
D.2 Gross closing balance	**-**	**8.771.224**	**-**	**-**	**119.439**	**8.890.663**
E. Measurement at cost	**-**	**7.345.503**	**-**	**-**	**69.265**	**7.414.768**

Section 9 *Intangible assets – Caption 90*

The asset account relating to caption 90 is illustrated in this section.

9.1 "Intangible assets": composition

Captions/Amounts	31/12/2019		31/12/2018	
	Assets masured at cost	Assets masured at FV	Assets measured at cost	Assets measured at FV
1. Goodwill	**-**	**-**	**-**	**-**
2. Other intangible assets				
2.1 Owned	386.700	-	210.798	-
- internally generated assets	248.529	-	-	-
- other	138.171	-	210.798	-
2.2 Under finance lease	-	-	-	-
Total 2	**386.700**	**-**	**210.798**	**-**
3. Assets under finance lease				
3.1 Unopted assets	-	-	-	-
3.2 Withdraw due to termination lease	-	-	-	-
3.3 Other assets	-	-	-	-
Total 3	**-**	**-**	**-**	**-**
4. Assets under operating lease	**-**	**-**	**-**	**-**
Total (1+2+3+4)	**386.700**	**-**	**210.798**	**-**

The caption "Other intangible assets – internally generated" contains the investments to develop software applications for innovations that generates future economic benefits, as required by the IAS 38.

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**210.798**
B. Increases	**262.107**
B.1 Purchases	5.678
B.2 Reversal of impairment losses	-
B.3 Fair value gains recognized in:	-
- equity	-
- profit & loss	-
B.4 Other increases	256.429
C. Decreases	**86.205**
C.1 Sales	-
C.2 Amortisation	86.205
C.3 Impairment losses recognized in:	-
- equity	-
- profit & loss	-
C.4 Fair value losses recognized in:	-
- equity	-
- profit & loss	-
C.5 Other decreases	-
D. Closing balance	**386.700**

Section 10 *Tax assets and liabilities*

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

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

10.1 "Tax assets: current and deferred": composition

Captions	Total 31/12/2019	Total 31/12/2018
Current tax assets	1.749.753	5.259.024
Deferred tax assets (through equity)	154.999	119.312
Deferred tax assets (through profit & loss)	23.554.641	24.290.690
Total	**25.459.393**	**29.669.026**

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 was 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.
The total amount of credit write-downs not deducted for tax purposes on 31/12/2014 will be recovered taxably in 11 years (timeframe from 2016 to 2026) according to annual percentages modified from last with the Art. 1, paragraph 712, Law no. 160/2019. More specifically, the percentages are 5% for 2016, 8% for 2017, 0% for 2018 and 2019, 12% for 2020 and 2021, 15% from 2022 to 2024, 8% for 2025 and 10% for 2026.
Conversely, from the fiscal year 2016 exercise there is full and immediate deductibility. The amendment described above also influences the IRAP regional tax.
Contrary to the prescriptions of the Law no. 145/2018, ACE (Aiuto alla Crescita Economica) incentive has been reintroduced for the tax period 2019 by the Law no. 160/2019.

10.2 "Tax liabilities: current and deferred": composition

Captions	Total 31/12/2019	Total 31/12/2018
Current tax liabilities	745.006	6.171.717
Deferred tax liabilities (through equity)	2.039.162	2.039.162
Deferred tax liabilities (through profit & loss)	99	68
Total	**2.784.267**	**8.210.947**

"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% (24,0 + 3,5%) for IRES (Art. 77 del D.P.R. n. 917/86) and 5,57% for IRAP.

10.3 Changes in deferred tax assets (recognized in profit or loss)

	31/12/2019	31/12/2018
1. Opening balance	**24.290.690**	**24.020.988**
2. Increases	**-**	**269.702**
2.1 Deferred tax assets recognized in the year	-	269.702
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	-	269.702
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**736.049**	**-**
3.1 Deferred tax assets recognized in the year	736.049	-
a) reversals	736.049	-
b) impairment due to non-recoverability	-	-
c) 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	**23.554.641**	**24.290.690**

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

	31/12/2019	31/12/2018
1. Opening balance	**23.113.222**	**23.113.222**
2. Increases	**-**	**-**
3. Decreases	**-**	
3.1 Reversals	-	
3.2 Conversion into tax assets	-	-
a) arising on the loss of the year	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**23.113.222**	**23.113.222**

10.4 Changes in deferred tax liabilities (recognized in profit or loss)

	31/12/2019	31/12/2018
1. Opening balance	**68**	**253**
2. Increases	**31**	
2.1 Deferred tax liabilities recognized in the year	31	-
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) other	31	
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**185**
3.1 Deferred tax liabilities derecognized in the year	-	185
a) reversals	-	185
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**99**	**68**

10.5 Changes in deferred tax assets (recognized in equity)

	31/12/2019	31/12/2018
1. Opening balance	**119.312**	**148.015**
2. Increases	**35.687**	**-**
2.1 Deferred tax assets recognized in the year	35.687	-
a) related to previous year		-
b) due to changes in accounting policies		-
c) other	35.687	-
2.2 Nuove imposte o incrementi di aliquote fiscali		-
2.3 Other increases		-
3. Decreases		**28.703**
3.1 Deferred tax assets derecognized in the year		28.703
a) reversals		-
b) impairment due to recoverability		-
c) due to changes in accounting policies		-
d) other		28.703
3.2 Decrease in tax rates		-
3.3 Other decreases		-
4. Closing balance	**154.999**	**119.312**

The table shown is substantially composed by deferred tax on actuarial gain/loss from valuation on post-employment fund.

10.6 Changes in deferred tax liabilities (recognized in equity)

	31/12/2019	31/12/2018
1. Opening balance	**2.039.162**	**2.039.162**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognized in the year	-	-
a) related to previous year	-	-
b) due to change 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 recognized 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 12 *Other assets – Caption 120*

The asset account relating to caption 120 is illustrated in this section.

12.1 "Other assets": composition

	31/12/2019	31/12/2018
Tax credits (not classifiable as tax assets)	310.642	430.335
Credit to Parent Company for tax consolidation	1.767.026	-
Items in transit not yet posted to destination accounts	-	4.771.965
Guarantee deposits	21.800	19.100
Advances to suppliers	25.264	186.109
Prepayments and accrued income not recognisable under a specific caption	532.461	512.194
Other items	598.938	151.747
Total	**3.256.131**	**6.071.450**

The captions "tax credit" contains the amount of Euro 259.887 referred to the virtual stamp duty.
It is noted that from the current period the company has adhered to the legislation related to the "National tax Consolidation" as pursuant by the rules at the art. 117 and 129 of TUIR, and therefore the tax advances are paid to the Parent Company.
The caption "Items in transit not yet posted to destination accounts" refer to portfolio modifications relating to payments from assigned debtors which for accounting data are credited against customer counterparties with different timescales than the credits by the presentation banks.

The caption “Other items” contains the credits with Banco BPM S.p.A. (former Banca Italease S.p.A.) for Euro 397.164, which are related to IRES refund requests for the missing deduction of IRAP relating to expenses for employees and assimilated personnel as pursuant by the D. L. n. 185/2008 for 2006 and 2007 (Euro 324.891) and as pursuant by D.L. n. 201/2011 for the year 2009 (Euro 72.301) and this is because, until 2009, Factorit S.p.A. adhered to the tax consolidation of the group of this bank.

During the current year, Banco BPM S.p.A. refunded what is due to us in relation to the 2007 tax year for euro 161.659.

LIABILITIES

Section 1 *Financial liabilities measured at amortised cost – Caption 10*

The liability account relating to caption 10 is illustrated in this section.

1.1 Financial liabilities measured at amortised cost: breakdown by products of debts

Captions	31/12/2019			31/12/2018		
	With banks	With financial institutions	With customers	With banks	With financial institutions	With customers
1. Financing	2.026.215.434			2.096.167.685		
1.1 repurchase agreements						
1.2 other financing	2.026.215.434			2.096.167.685		
2. Lease liabilities	1.490.122	12.924	5.901.307			
3. Other debts	2.049.960	39.818.982	23.581.564	1.889.791	902.136	15.693.676
Total	**2.029.755.516**	**39.831.906**	**29.482.871**	**2.098.057.476**	**902.136**	**15.693.675**
Fair value – level 1						
Fair value – level 2						
Fair value – level 3	2.029.755.516	39.831.906	29.482.871	2.098.057.476	902.136	15.693.676
Total fair value	**2.029.755.516**	**39.831.906**	**29.482.871**	**2.098.057.476**	**902.136**	**15.693.676**

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.
The lease liabilities are the actual value of the due (not paid yet) payments for leasing at this date and recognized in accordance with the provisions of IFRS 16 in force from 1st January 2019.

Due to banks include:

Description	Amount
On demand current account exposures	107.742.932
Advances under reserve on cash orders or direct debits	16.335.304
Hot money at maturity	181.500.000
Commissions to be paid	417.399
Foreign currency advances	121.148.724
Supplier invoices received and to be received	323.210
Due to parent	1.601.927.377
Accrued expenses on hot money	19
Accrued under reserve on cash orders or direct debits	3.641
Accrued expenses on foreign currency advances	201.933
Due to principals	154.977
Total	**2.029.755.516**

The caption “Other financing” with financial institutions refers to factoring debts, with assigned debtors, accounted in “Supplier invoices received and to be received” for pool transactions.

The caption “Other financing” with customers mostly includes factoring debts, with assigned debtors, recognized in the financial statements and occasional and temporary deposits in favor of customers.

1.5 Lease liabilities

Outgoing financial flows for leasing.

Liabilities / Amounts	Lease Liability Amount FTA	Financial flows	Interests	Other changes	Carrying Amount at 31.12.2019
Properties	8.730.427	(1.489.818)	60.950	39.098	7.340.657
Cars	96.857	(55.355)	242	21.952	63.696
Others					
Total	**8.827.284**	**(1.545.173)**	**61.192**	**61.050**	**7.404.353**

At 31.12.2019 the weighted average of the lessee's weighted marginal financing rate, which has been applied to the lease liabilities stated in the Statement of Financial Position, is equal to 0,76%.
The amounts, as pursuant by the IFRS 7, paragraphs 39 and B11 "Financial Instruments", represent not discounted financial flows.

Deadlines' analysis of lease liabilities

Liabilities / Residual life	Up to 1 year	from 1 year up to 5 years	from 5 years up to 10 years	Over 10 years
Properties	1.505.118	5.631.907	334.564	21.528
Cars	37.579	26.308	-	-
Others	-	-	-	-
Total	**1.542.697**	**5.658.215**	**334.564**	**21.528**

Section 6 ***Tax liabilities***

The information about this section has been provided in Section 10 of Assets.

Section 8 ***Other liabilities – Caption 80***

The liability account relating to caption 80 is illustrated in this section.

8.1 "Other liabilities": composition

	31/12/2019	31/12/2018
Taxes payable	610.836	605.825
Tax consolidation	1.006.772	-
Personnel	232.259	234.939
Social security institutions	606.744	598.728
Suppliers	1.033.059	608.927
Invoices to be received	507.348	553.021
Amounts to be credited under processing	11.852.832	8.633.748
Directors and Statutory auditors	29.120	23.504
Other	4.849.421	5.491.622
Total	**20.728.391**	**16.750.314**

It is noted that from the current period the company has adhered to the legislation related to the "National tax Consolidation" as pursuant by the rules at the art. 117 and 129 of

TUIR, and therefore the tax debts with the Parent Company are accounted in "Tax consolidation".

The caption "Amounts to be credited under processing" includes:
- Euro 9.056.101 for remittances received but not yet allocated to the relevant captions;
- Euro 2.791.388 for effects being credited;
- Euro 5.343 for bills after collections.

The caption "Other" includes:
- Euro 2.788.938 for deferred income due to attribution on an accrual basis in relation to the duration of the underlying credit of the commissions invoiced to customers;
- Euro 1.542.413 for unallocated deferred income, for Euro 372.576 for items awaiting settlement and Euro 145.494 for residual items.

Section 9 *Post-employment benefits – Caption 90*

The liability account relating to caption 90 is illustrated in this section.

9.1 Post-employment benefits: changes

	31/12/2019	31/12/2018
A. Opening balance	**2.324.050**	**2.430.284**
B. Increases	**156.919**	**23.517**
B.1 Accruals	25.207	23.517
B.2 Other increases	131.712	
C. Decreases	**225.788**	**129.751**
C.1 Payments	225.788	60.665
C.2 Other decreases		69.086
D. Closing balance	**2.255.181**	**2.324.050**

The amount, calculated according to the national legislation, amounts to Euro 1.953.861. Referring to the international accounting standards IAS/IFRS, the actuarial simulations were performed according to the expected benefits method using the projected unit credit method (*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:

	31/12/2019	31/12/2018
Technical discount rate	0,33%	1,14%
Annual inflation rate	1,50%	1,50%

Regarding the average discount rate, the value of the I-Boxx Corporates EUR AA 7-10 taken on 12th December 2019 was taken as a reference.

Section 10 *Provisions for risks and charges – Caption 100*

The liability account relating to caption 100 is illustrated in this section.

10.1 Provisions for risks and charges: composition

Description/Amount	31/12/2019	31/12/2018
1. Provisions for credit risk relating to financial commitments and guarantees given	642.509	1.185.397
2. Provisions for other commitments and other guarantees given		
3. Provisions for pensions		
4. Other provisions for risks and charges	962.643	3.096.303
4.1. legal disputes	201.000	2.101.701
4.2. personnel expense	761.643	994.602
4.3. other		
Total	**1.605.152**	**4.281.700**

With the introduction of the new IFRS 9 Standard, the scope of «off-balance sheet» exposures have changed. From 1 January 2018, the commitments and guarantees given are also included in these items, thus expanding the perimeter with respect to that of IAS 39.
Following the introduction of IFRS 9, the ECL is also calculated on non-impaired positions (stage 1 and stage 2) while for adjustments relating to impaired positions the devaluations continued to be applied analytically.

The sub-caption “Legal disputes” is comprised of:
- Passive lawsuits for Euro 201.000.

The sub-caption “Personnel expense” is comprised of:
- Personnel training for Euro 61.168;
- Other personnel expense for Euro 700.475.

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	-	-	**3.096.303**	**3.096.303**
B. Increases	-	-	**4.163.970**	**4.163.970**
B.1 Accruals	-	-	4.163.970	4.163.970
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases	-	-	**6.297.630**	**6.297.630**
C.1 Utilisations	-	-	6.297.030	6.297.030
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	600	600
D. Closing balance	-	-	**962.643**	**962.643**

It should be noted that, during the first semester of 2019, the company has resolved a significant lawsuit. This was in part, for euro 1,9 million, already set aside during last years and for euro 3,8 million during the current one.

10.3 Provisions for credit risk relating to financial commitments and guarantees given

	Provisions for credit risk relating to financial commitments and guarantees given			
	First stage	Second stage	Third stage	Total
1. Commitments to grant funds	289.903	2.932	349.674	642.509
2. Financial guarantees given				
Total	**289.903**	**2.932**	**349.674**	**642.509**

Section 11 *Equity – Captions 110, 120, 130, 140, 150, 160 and 170*

The liability accounts relating to captions 110, 120, 130, 140, 150, 160 and 170 are illustrated in this section.

11.1 Share capital: composition

Types	31/12/2019
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 Euro.

11.2 Treasury shares: composition

The company did not hold treasury shares either at 31 December 2019 or at 31 December 2018.

11.3 Equity instruments: composition

The company had not issued equity instruments either at 31 December 2019 or at 31 December 2018.

11.4 Share premium: composition

The reserve amounts to Euro 11.030.364.

11.5 Other information

Availability and distributability of the equity captions.

Nature	Amount	Utilisation	Available portion	Summary of use in the previous years	
				To cover losses	For other reasons
Share capital	85.000.002		-	-	-
Equity-related reserves	-		-	-	-
Income-related reserves					
Legal reserve	12.183.664	B	-	-	-
Share premium	11.030.364	A-B	5.209.011	-	-
Share premium	-	A-B-C	5.821.353	-	-
Other reserves	126.975.460	A-B-C	121.595.224	-	-
Other reserves	-	A-B	5.380.236		
Retained earnings	245.544	A-B-C	245.544	-	-
Total	**235.435.034**		**138.251.368**	**-**	**-**
Non-distributable portion	**-**		**10.589.247**	**-**	**-**
Remaining distributable portion	**-**		**127.662.121**	**-**	**-**

Key: A – capital increases; B – to cover losses; C – dividend distribution.

It should be noted that “Other reserves” include: FTA reserve equal to Euro 5.350.212 related to IAS39 first impact; the reserve for unexercised stock option equal to Euro 304.394; Euro -368.455 for the non-distributable post-employment benefit/loss reserve, for Euro 31.374 to the valuation of the investment in Compagnia Aerea Italiana and Euro 4.215.490 relating to the reserve deriving from first impact of IFRS9.

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 2019 is hereby shown:

Net profit for the year	Euro	5.160.891
Profits from previous years	Euro	245.544
Profits to allocate	Euro	5.406.435
of which:		
5% of the profit to Legal reserve	Euro	258.045
Profits to Extraordinary reserve	Euro	4.902.846
Retained profits	Euro	245.544

11.6 Composition of caption 160 “Valuation reserves”

The caption shows a negative balance for Euro -337.081, of which Euro -368.455 referred to actuarial gains/losses relating post-employment benefits and for Euro 31.374 entirely related to the valuation of a share security as shown in table 3.1 of part B "Information on the balance sheet".

OTHER INFORMATION

1. Financial commitments and guarantees given (other than those designated at fair value)

	Nominal value on financial commitments and guarantees given			31/12/2019	31/12/2018
	First stage	Second stage	Third stage		
1. Commitments to grant funds	**1.492.438.741**	**11.344.312**	**1.527.849**	**1.505.310.902**	**1.560.023.885**
a) Public administrations	3.157.678	253.466		3.411.144	2.670.951
b) Banks	143.524	-		143.524	9.360
c) Other financial institutions	10.824.541	--	-	10.824.541	3.357.922
d) Non-financial institutions	1.431.382.020	11.069.028	1.381.031	1.443.832.079	1.496.184.460
e) Households	46.930.978	21.818	146.818	47.099.614	57.801.192
2. Financial guarantees given	**-**	**-**	**-**	**-**	
a) Public administrations	-	-	-	-	
b) Banks	-	-	-	-	
c) Other financial institutions	-	-	-	-	
d) Non-financial institutions	-	-	-	-	
e) Households	-	-	-	-	

The values expressed in the table represent the nominal value net of the amounts already paid and gross of the total provisions.

PART C Notes to the income statement

Section 1 Interests – Captions 10 and 20

The accounts relating to captions 10 and 20 are illustrated in this section.

1.1 Interest and similar income: composition

Captions/Description	Debts instruments	Financing	Other transactions	31/12/2019	31/12/2018
1. Financial assets measured at fair value through profit or loss:	-	-	-	-	-
1.1. Financial assets held for trading	-	-	-	-	-
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily valued at fair value	-	-	-	-	-
2. Financial assets measured at fair value through OCI	-	-	-	-	-
3. Financial assets measured at amortised cost:	-	22.624.067	-	22.624.067	25.925.446
3.1 with banks	-	95.033	-	95.033	41.327
3.2 with financial institutions	-	3.476.152	-	3.476.152	2.435.932
3.3 with customers	-	19.052.882	-	19.052.882	23.448.187
4. Hedging derivatives	-	-	-	-	-
5. Other assets	-	-	747	747	13.367
6. Financial liabilities	-	-	-	-	
Total	**-**	**22.624.067**	**747**	**22.624.814**	**25.938.813**
Of which: interest income on impaired financial assets		**270.293**	-	**270.293**	**1.467.044**

1.2 Interest and similar income: other disclosure

Foreign currency interest income on loans and receivables with customers and financial institutions amounts to Euro 3.585.739 (Euro 2.477.910 in 2018).

1.3 Interest and similar expense: composition

Captions/Descriptions	Financing	Securities	Other transactions	31/12/2019	31/12/2018
1. Financial liabilities measured at amortised cost					
1.1 Due to banks	(2.897.358)			(2.897.358)	(3.320.816)
1.2 Due to financial institutions	(51)			(51)	-
1.3 Due to customers	(46.503)			(46.503)	-
1.4 Securities issued					-
2. Financial liabilities held for trading					-
3. Financia liabilities at fair value through profit or loss					-
4. Other liabilities					(75)
5.Hedging derivatives					-
6.Financial assets			(2.750)	(2.750)	(38.114)
Total	**(2.943.912)**		**(2.750)**	**(2.946.662)**	**(3.359.005)**
of which: interest expenses related to lease financing	**(61.192)**			**(61.192)**	

Pursuant to IFRS 16 accounting standard, that replaces the previous IAS 17 starting from 1st January 2019, interest expenses include those related to lease liabilities. Therefore, the data related to the comparison year are not completely comparable.

Section 2 *Fee and commissions – Captions 40 and 50*

The accounts relating to captions 40 and 50 are illustrated in this section.

2.1 Fee and commission income: composition

Breakdown	31/12/2019	31/12/2018
A. Financial leasing	**-**	**-**
B. Factoring	**22.383.576**	**22.381.376**
C. Consumer credit	**-**	**-**
D. Merchant banking	**-**	**-**
E. Services	**-**	**-**
- fund management on behalf of third parties	-	-
- currency trading	-	-
- product distribution	-	-
- other	-	-
F. Collection and payment services	**-**	**-**
G. Servicing for securitisations	**-**	**-**
H. Other fees and commissions	**2.132.231**	**1.824.246**
Total	**24.515.807**	**24.205.622**

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 31st December 2019, Euro 2.788.938 had been referred. The amounts accounted in the sub- caption "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 Fee and commission expense: composition

Breakdown/Sector	31/12/2019	31/12/2018
A. Guarantees received	**(336.396)**	**(497.426)**
B. Distribution of third-party services	**-**	**-**
C. Collection and payment services	**-**	**-**
D. Other fee and commissions	**(2.804.654)**	**(2.739.438)**
d.1 factoring	(1.648.251)	(1.521.840)
d.2 other	(1.156.403)	(1.217.598)
Total	**(3.141.050)**	**(3.236.864)**

As per caption 40, fee and commission expense based on one-off fee and commission income are treated similarly. At the reporting date, the stated amount was Euro 146.727.

Section 4 *Net trading income – Caption 80*

The account relating to caption 80 is illustrated in this section.

4.1 Net trading income: composition

Operations/Income components	Capital profits (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B)(C+D)]
1. Financial assets held for trading					
1.1 Debt instruments					
1.2 Equity instruments					
1.3 Units/shares of open-end CIUs					
1.4 Financing					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt instruments					
2.2 Debts					
2.3 Other					
3.Other financial assets and liabilities: exchange differences					**(5.317)**
4. Hedging instruments					
4.1 Financial derivatives					
4.2 Credit derivatives of which: natural hedges with the fair value option					
Total					**(5.317)**

Section 8 *Net impairment losses – Caption 130*

The account relating to caption 130 is illustrated in this section.

8.1 Net impairment losses for credit risk on financial assets measured at amortised cost: composition

Operations/Income components	Impairment losses			Reversal of impairment		31/12/2019	31/12/2018
	1			2			
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
1. Loans and receivables with banks	**(21)**			**18.908**		**18.887**	**(18.908)**
Impaired loans and receivables purchased							
– leases							
– factoring							
– other							
Other	(21)			18.908		18.887	(18.908)
– leases							
– factoring				18.857		18.857	(18.857)
– other	(21)			51		30	(51)
2.Loans and receivables with financial institutions			**(433)**	**49.688**	**202.184**	**251.439**	**8.314**
Impaired loans and receivables purchased							
– leases							
– factoring							
– other							
Other			(433)	49.688	202.184	251.439	8.314
– leases							
– factoring			(433)	47		(386)	8
– other				49.641	202.184	251.825	8.306
3.Loans and receivables with customers	**(2.120.063)**		**(13.404.612)**	**2.926.419**	**2.370.674**	**(10.227.582)**	**(10.085.773)**
Impaired loans and receivables purchased							
– leases							
– factoring							
– consumer credit							
– other							
Other	(2.120.063)		(13.404.612)	2.926.419	2.370.674	(10.227.582)	(10.085.773)
– leases							
– factoring	(1.925.772)		(10.995.665)	2.424.078	2.250.229	(8.247.130)	(11.368.999)
– consumer credit							
– pawn loans							
– other	(194.291)		(2.408.947)	502.341	120.445	(1.980.452)	1.283.226
Total	**(2.120.084)**		**(13.405.045)**	**2.995.015**	**2.572.858**	**(9.957.256)**	**(10.096.367)**

The table shows what is recognized in the income statement consequently and in relation to the process of assessing the loan portfolio which is carried out at the individual position level.

Section 10 *Administrative expeses – Caption 160*

The account relating to caption 160 is illustrated in this section.

10.1 Administrative expenses: composition

Breakdown	31/12/2019	31/12/2018
1. Employees	**(13.767.166)**	**(13.771.293)**
a) Wages and salaries	(9.445.230)	(9.606.160)
b) Social security contributions	(2.711.482)	(2.699.073)
c) Post-employment benefits		
d) Pension costs		
e) Accrual for post-employment benefits	(25.207)	(23.517)
f) Accrual for pension and similar provisions:		
- defined contribution plans		
- defined benefit plans		
g) Payments to external supplementary pension:	(857.292)	(818.837)
- defined contribution plans	(857.292)	(818.837)
- defined benefit plans		
h) Other costs	(727.955)	(623.706)
2. Other personnel	**(13.920)**	**(13.920)**
3. Directors and statutory auditors	**(324.901)**	**(308.518)**
4. Retired personnel		
5. Cost recoveries for personnel seconded to other companies	**131.622**	**156.461**
6. Cost reimbursements for personnel seconded to the company		
Total	**(13.974.365)**	**(13.937.270)**

10.2 Average number of employees by category

Breakdown	31/12/2019		31/12/2018	
	Average	Exact	Average	Exact
Employees	**170**	**172**	**171**	**170**
a) Managers	8	8	7	8
b) Junior managers	79	79	77	78
Of which 3rd e 4th level	43	44	41	43
c) Other employees	83	85	87	84
Other personnel	**4**	**5**	**4**	**6**

The average employee number does not include any weighing for part-time contracts.

10.3 Other administrative expenses: composition

	31/12/2019	31/12/2018
Building costs:	(81.301)	(1.537.433)
- leases and maintenance	(37.220)	(1.494.728)
- utilities	(44.081)	(42.705)
Indirect taxes and duties	(1.404.596)	(1.489.663)
Postal, telephone, printing and other office expenses	(408.733)	(391.811)
Maintenance and charges for furniture, equipment and systems	(450.490)	(412.799)
Professional services and consultancy	(696.435)	(570.291)
Legal fees	(918.890)	(896.516)
Advertising, entertainment and gifts	(82.550)	(99.282)
Insurance premiums	(79.448)	(72.719)
Trasport, rentals and business trips	(455.341)	(494.940)
Outsourcing	(864.542)	(830.113)
Data registration by third parties	(223.511)	(201.122)
Membership fees	(62.796)	(61.446)
Outsourcing within Group	(90.000)	(90.000)
Outsourcing outside the Group	(66.304)	(43.130)
Other	(311.429)	(321.153)
Total	**(6.196.366)**	**(7.512.418)**

Since the entry into forte of IFRS 16 accounting standard from 1st January 2019 which introduced new accounting methods for leases, the comparison is not homogeneous.
The sub-caption "leases and maintenance" includes the contracts for which the new IFRS 16 accounting standard is not applicable. For these please refer to Part A – Accounting Policies - Other Aspects where a precise information is reported.
The sub-caption "Indirect taxes and duties" includes IVA tax related to the contracts considered in the new IFRS 16 accounting standard perimeter.

Section 11 Net accruals to provisions for risks and charges – Caption 170

The account relating to caption 170 is illustrated in this section.

11.1 Net accruals for credit risk inherent commitments to grant funds and given financial guarantees: composition

	Accruals	Re-allocations of surpluses	31/12/2019	31/12/2018
Net accruals for credit risk inherent commitments to grant funds and given financial guarantees	**(580.555)**	**1.123.443**	**542.888**	**(1.004.885)**

The table shows the value of the accruals / write-backs occurred during the year on the commitments to disburse only the "without recourse approved" operations (formal without recourse), i.e. the difference between the total approved receivables and the related advances (the lattest is represented in the balance sheet assets in the name of the transferor) and on the commitments guaranteed to some elevate standing customers.

11.3 Net accruals to other provisions for risks and charges: composition

	Accruals	Re-allocations of surpluses	31/12/2019	31/12/2018
Net accruals to other provisions for risks and charges: composition	**(3.893.570)**	**600**	**(3.892.970)**	**(623.701)**
a) legal disputes	(3.893.570)	600	(3.892.970)	(623.701)
b) other	-	-	-	

The provision is mainly attributable to a single dispute solved within the year.

Section 12 *Depreciation and net impairment losses on property and equipment – Caption 180*

The account relating to caption 180 is illustrated in this section.

12.1 Depreciation and net impairment losses on property and equipment: composition

Asset/Income components	Depreciation (a)	Impairment losses (b)	Reversals of Impairment losses (c)	Net Result (a+b-c)
A. Property and equipment				
A.1 To be used	(1.670.134)			(1.670.134)
- Owned	(194.239)			(194.239)
- Rights of use under leasing	(1.475.895)			(1.475.895)
A.2 Held for investment purposes				
- Owned				
- Rights of use under leasing				
A.3 Surplus				
Total	**(1.670.134)**			**(1.670.134)**

Since the entry into forte of IFRS 16 accounting standard from 1st January 2019, the comparison is not homogeneous. The new accounting standard led to the recognition of euro 1.475.895 as depreciation. A greater detail of the depreciation costs for the assets consisting in the right of use for underlying asset classes is illustrated in the Section 7 - Leasing.

Section 13 *Ammortization and net impairment losses on intangible assets – Caption 190*

The account relating to caption 190 is illustrated in this section.

13.1 Amortisation and net impairment losses on intangible assets: composition

Asset/Income component	Ammortisation (a)	Impairment losses (b)	Reversals of Impairment losses (c)	Net result (a+b-c)
1. Other intangible assets	**(86.205)**	**-**	**-**	**(86.205)**
1.1 owned	(86.205)	-	-	(86.205)
1.2 under finance lease	-	-	-	-
2. Assets under finance lease	-	-	-	-
3. Assets under operating lease	-	-	-	-
Total	**(86.205)**	**-**	**-**	**(86.205)**

Section 14 *Other operating income – Caption 200*

The account relating to caption 200 is illustrated in this section.

14.1 Other operating expenses: composition

	31/12/2019	31/12/2018
- contingent liabilities	(52.997)	(59.874)
- other	(1.534)	(1.877)
Total	**(54.531)**	**(61.751)**

14.2 Other operating income: composition

	31/12/2019	31/12/2018
- recovery of taxes	162.501	161.217
- recovery of costs	280.535	364.751
- income for IT services rendered	404.000	268.142
- increases in internally generated fixed assets	256.430	-
- others	777.860	988.555
Total	**1.881.326**	**1.782.665**

The sub-caption "increases in internally generated fixed assets" include the direct suspended costs (mostly personnel expenses) related to software development internally generated which are accounted basing on the provisions of IAS 38 accounting standard.
The sub-caption "others" includes the revenues referred to factoring transactions and other disposals for Euro Euro 76.041.

Section 18 *Net gaing on the sale on investments – Caption 250*

The account relating to caption 250 is illustrated in this section.

18.1 Net gain on the sale of investments: composition

	31/12/2019	31/12/2018
1. Buildings	**-**	**-**
1.1 Gains	-	-
1.2 Losses	-	-
2. Other assets	**8.772**	**4.801**
2.1 Gains	11.096	9.971
2.2 Losses	(2.324)	(5.170)
Net result	**8.772**	**4.801**

Section 19 *Income taxes – Caption 270*

The account relating to caption 270 is illustrated in this section.

From the tax period 2019 Factorit exercised the option to adhere to the tax Consolidation as pursuant by TUIR art. 117 and 129 – as consolidated company with the parent Banca Popolare di Sondrio as consolidating company. Consolidation contracts and regulation for participation in the national consolidation have been defined for this purpose.
This option, valid for the period 2019 – 2021, with tacit renewal on expiring date, has been exercised by the parent company and the following companies at the same time:

- Factorit S.p.A.
- Banca della Nuova Terra S.p.A.
- Pirovano S.p.A.

The advantages of this option are mainly related to the possibility to compensate the losses of one or more companies of the Group with the profits of the other companies and, moreover, to transform deferred tax assets on credit write-downs (DTA) into tax credits also for the companies included in the perimeter.
The income taxes for the period represent a reasonable forecast of the tax burden on the year, determined on the basis of tax laws in force.

19.1 Income taxes: composition

	31/12/2019	**31/12/2018**
1. Current taxes (-)	(1.751.780)	(6.171.715)
2. Change in current taxes from previous years (+/-)	-	(168.943)
3. Decrease in current taxes for the year (+)	-	2.094.597
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 (+/-)	(736.049)	269.702
5. Change in deferred tax liabilities (+/-)	(31)	185
6. Tax expenses for the year	**(2.487.860)**	**(3.976.174)**

The current tax expense includes IRES at 24,0%, the additional IRES atl 3,5% and IRAP at 5,57%.

19.2 Reconciliation between the theoretical and effective tax expense

Income before taxes	**7.648.750**
IRES	
Theoretical tax expense	2.103.406
Irap deductibility 10 % and cost of work (-)	- 11.827
ACE – Aiuto alla crescita economica	- 287.128
Altre changes (+/-)	85.223
TOTAL IRES	**1.889.675**
IRAP	
Theoretical tax expense	426.035
Personnel expenses	43.006
Administrative expenses	34.514
Ammortization of tangigle/intangible assets	9.783
Other expenses/income	84.847
TOTAL IRAP	**598.185**
TOTAL TAXES	**2.487.860**

Section 20 ***Post-tax profit (loss) from discontinued operations – Caption 290***

The account relating to caption 290 is illustrated in this section.

Section 21 *Income Statement: Other Information*

21.1 Breakdown of interest and commission income

Captions/counterparties	Interest income			Commission income			31/12/2019	31/12/2018
	Banks	Financial Institutions	Customers	Banks	Financial Institutions	Customers		
1. Financial leases	-	-	-	-	-	-	-	-
- Real estate	-	-	-	-	-	-	-	-
- Moveable property	-	-	-	-	-	-	-	-
- Operating assets	-	-	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**88.340**	**3.476.152**	**19.052.882**	**11.965**	**871.411**	**24.569.835**	**48.070.585**	**50.097.931**
- Current accounts	88.340	3.395.496	12.933.837	10.352	792.170	21.044.432	38.264.627	40.611.364
- Future loans and receivables	-	-	937.404	-	-	1.474.026	2.411.430	2.707.067
- Loans and receivables purchased outright	-	-	-	-	-	-	-	-
- loans and receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- other financing	-	80.656	5.181.641	1.613	79.241	2.051.377	7.394.528	6.779.500
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special purpose loans	-	-	-	-	-	-	-	-
- salary backed loans	-	-	-	-	-	-	-	-
4. Pawn loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**88.340**	**3.476.152**	**19.052.882**	**11.965**	**871.411**	**24.569.835**	**48.070.585**	**50.097.931**

21.2 Other information

Breakdown of interest and similar expense.

Description	Amount
Current account overdrafts	(81.644)
Advances under reserve	(21.882)
Hot money	(604.044)
Foreign currency advances	(2.172.863)
Negative interests on assets	(2.750)
Interests related to lease liabilities	(61.192)
Other interest	(2.287)
Total	**(2.946.662)**

PART D Other information

Section 1 Business operations

B. FACTORING AND ASSIGNMENT OF RECEIVABLES

B.1 – GROSS AMOUNT AND CARRYING AMOUNT

B.1.1 – Factoring transactions

Captions/Amounts	31/12/2019			31/12/2018		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	**2.212.197.345**	**1.699.583**	**2.210.497.762**	**2.178.662.702**	**2.220.159**	**2.176.442.543**
- exposures to assignors (with recourse)	1.607.756.138	1.331.792	1.606.424.346	1.660.821.005	1.754.544	1.659.066.461
- future loans and receivables	53.956.717	95.812	53.860.905	79.812.401	309.834	79.502.567
- other	1.553.799.421	1.235.980	1.552.563.441	1.581.008.604	1.444.710	1.579.563.894
- exposures to assigned debtors (without recourse)	604.441.207	367.791	604.073.416	517.841.697	465.615	517.376.082
- purchased for less that their nominal amount	-	-	-	-		
- other	604.441.207	367.791	604.073.416	517.841.697	465.615	517.376.082
2. Impaired assets	**44.625.269**	**32.804.324**	**11.820.945**	**54.103.186**	**33.628.535**	**20.474.651**
2.1 Non-performing exposures	**10.705.968**	**10.471.814**	**234.154**	**15.961.265**	**15.322.815**	**638.450**
- exposures to assignors (with recourse)	8.478.964	8.244.810	234.154	12.601.696	11.963.246	638.450
- future loans and receivables	339.834	323.411	16.423	702.889	702.889	-
- other	8.139.130	7.921.399	217.731	11.898.807	11.260.357	638.450
- exposures to assigned debtors (without rerecourse)	2.227.004	2.227.004	-	3.359.569	3.359.569	-
- purchased for less that their nominal amount	12.103	12.103	-	16.249	16.249	-
- other	2.214.901	2.214.901	-	3.343.320	3.343.320	-
2.2 Unlikely-to-pay exposures	**33.134.325**	**22.261.863**	**10.872.462**	**38.132.502**	**18.304.872**	**19.827.630**
- exposures to assignors (with recourse)	30.723.826	20.944.387	9.779.439	37.405.371	17.916.441	19.488.930
- future loans and receivables	11.133.999	6.986.512	4.147.487	11.465.001	4.514.427	6.950.574
- other	19.589.827	13.957.875	5.631.952	25.940.370	13.402.014	12.538.356
- exposures to assigned debtors (without recourse)	2.410.499	1.317.476	1.093.023	727.131	388.431	338.700
- purchased for less that their nominal amount	-	-	-	2.675	2.675	-
- other	2.410.499	1.317.476	1.093.023	724.456	385.756	338.700
2.3 Impaired past-due exposures	**784.976**	**70.647**	**714.329**	**9.419**	**848**	**8.571**
- exposures to assignors (with recourse)	784.976	70.647	714.329	9.419	848	8.571
- future loans and receivables	16.938	1.524	15.414	-	-	-
- other	768.038	69.123	698.915	9.419	848	8.571
- exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	-	-	-	-	-	-
Total	**2.256.822.614**	**34.503.907**	**2.222.318.707**	**2.232.765.888**	**35.848.694**	**2.196.917.194**

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

Caption/value	31/12/2019			31/12/2018		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	93.563.467	165.363	93.398.104	111.497.000	529.779	110.967.221
2. Impaired assets	1.178.699	1.178.699	-	1.469.963	1.442.147	27.816
2.1 Non-performing assets	1.178.699	1.178.699	-	1.178.699	1.178.699	-
2.2 Unlikely-to-pay exposure	-	-	-	291.264	263.448	27.816
2.3 Impaired past-due exposures	-	-	-	-	-	-
Total	**94.742.166**	**1.344.062**	**93.398.104**	**112.966.963**	**1.971.926**	**110.995.037**

B.2 – BREAKDOWN BY RESIDUAL MATURITY

Past due exposures and receivables, compared to the invoice payment date, are recognized 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"

By maturity	31/12/2019		31/12/2018	
	Advances	Outstanding	Advances	Outstanding
- on demand	134.125.137	298.679.480	197.516.336	400.124.491
- up to 3 months	1.165.702.178	1.496.249.493	1.072.376.827	1.310.352.894
- from 3 to 6 months	155.587.978	251.325.733	168.805.754	328.506.910
- from 6 months to 1 year	124.325.935	146.911.411	119.251.218	118.220.157
- after 1 year	37.411.040	38.999.246	121.252.277	70.418.460
- open item	-	-	-	-
Total	**1.617.152.268**	**2.232.165.363**	**1.679.202.412**	**2.227.622.912**

The table provides a breakdown of the values indicated in the previous table B.1, with reference only to receivables due from assignors, and excludes transactions not included in the scope of Law 52/91.
The breakdown advances with recourse was conventionally carried out in proportion to the expiration dates of the related total outstanding.
At the same time, it should be noted that the total amount of receivables related to the sale of receivables realized out of the scope of the Law 52/91 at 31 December 2019 amounts to Euro 99.534.641

B.2.2 – Factoring transactions without recourse: exposures

By maturity	Exposures	
	31/12/2019	31/12/2018
- on demand	7.170.844	20.756.889
- up to 3 months	443.291.575	436.939.361
- from 3 to 6 months	71.663.745	59.140.743
- from 6 months to 1 year	74.017.782	546.967
- after 1 year	9.022.493	330.822
- open item	-	-
Total	**605.166.439**	**517.714.782**

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 – OTHER INFORMATION

B.3.1 – Turnover of receivables subject to factoring operations

	31/12/2019	31/12/2018
1. Transactions without recourse	3.204.828.241	3.610.686.320
- including purchased for less than their nominal amount	-	-
2. Transactions with recourse	10.023.072.670	9.933.253.196
Total	**13.227.900.911**	**13.543.939.516**

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

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

	31/12/2019	31/12/2018
- Without recourse	-	-
- With recourse	237.197.502	243.098.624
	237.197.502	**243.098.624**

B.3.2 – Collection services

The company did not perform collection only services in 2019 and 2018.

B.3.3 – Nominal amount of contracts to purchase future loans and receivables

	31/12/2019	31/12/2018
- Contracts to purchase future loans and receivables during the year	250.614.916	167.527.565
- Loans and receivables at the reporting date	262.926.122	280.833.940

D. – GUARANTEES GIVEN AND COMMITMENTS

D.1 – BREAKDOWN OF GUARANTEES GIVEN AND COMMITMENTS

	31/12/2019	31/12/2018
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 guarantess given	**-**	**-**
a) Banks	-	-
b) Financial Institutions	-	-
c) Customers	-	-
4) Irrevocable commitments to grant funds	**328.543.708**	**228.928.337**
a) Banks	143.524	9.360
i) certain use	-	-
ii) uncertain use	143.524	9.360
b) Financial Institutions	10.823.881	2.537.382
i) certain use	-	-
ii) uncertain use	10.823.881	2.537.382
c) Customers	317.576.303	226.381.595
i) certain use	425.662	3.207.685
ii) uncertain use	317.150.641	223.173.910
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	**328.543.708**	**228.928.337**

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 Euro 328.118.046 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 RECOGNIZED DUE TO ENFORCEMENT.

None.

Section 3 *Risks and hedging policies*

3.1 – CREDIT RISKS

QUALITATIVE DISCLOSURE

1. General information

Factoring activity regards to the assignment of without recourse and with recourse assets of trading nature.
Particular feature of the transaction is the trilateral nature of the contract since the Client Company (assignor) holder of the financing to be transferred, the assigned Debtor and the Factor are involved. This last one intervenes as a financial subject in the supply relationship existing between the two previous ones subjects.
At this purpose, an aspect to consider is the intensity of the relationship between the Factor and Client usually based on an ongoing and lasting relationship over time.
Furthermore, the importance of the relational aspect can also be grasped in the relationship between the Factor and the transferred Debtor in the event of a notified assignment of the financing.
If observed from the point of view of the underlying services, it is a product where several components can be combined, such as: credit management, the solvency's guarantee of the assigned Debtor and the payment of advances to the Client on the credits received on assignment.
The possibility for Client companies to use components of different nature makes factoring difficult to compare with other instruments of mere disposal or insurance of trade receivables.
The objectives and the strategies behind the credit activity, according to the Group provisions define the volumes and the desired return and risk profile.
The optimal configuration of the credit portfolio is also pursued in line with the risk assumption parameters defined by the Risk Appetite Framework (RAF) and consistently with what is indicated by the risk management policies of the Parent Company.

2. Credit risk management policies

a) Main risk factors

The assessment of the factoring risk must consider a variety of factors such as: the solvency of the transferor and the transferred debtors, the degree of fragmentation of the transferred portfolio, the characteristics of the underlying commercial position, the maturity of the transferred financings, the refund capacity of the transferor - in the event of advance payments.
In order to provide financing and guarantee services, the Factor can variously assume credit risks, which can be decomposed in some elementary cases:

- credit risk in the strict sense, represented by the risk of loss due to default by the counterparty;
- the risk of dilution, that is, the risk that the amount of a financing will be reduced as a result of compensations deriving from returns, product quality disputes, promotional or other discounts;
- the risk of late payment compared to the actual or conventional due date (negotiated due date in the case of transactions with advance payment).

With reference to the operating methods implemented in the financing services, given that these are self-liquidating transactions (i.e. the refund of the advance takes place through the collection of the assigned receivables) and of short maturity, the Factor is more protected if the assignment is associated with:

- notification to the debtors of the assignment of the financing;
- recognition by the debtors of the assigned financings;
- certification by the Public Administration of the assigned financing;
- purchase of due or due to expire receivables with respect to financing of future receivables;
- presence of a fixed checking account in favor of the Factor on which the collections by the debtors in the non-notified transactions are channeled.

b) The risk management, measurement and control systems adopted and the organizational structures in charge

The internal control system activated by the Company aims to mitigate the occurrence of the above risks, the appearance of which could result in losses.
The constant renewal of credit disbursement, management and monitoring processes, according to the several counterparties involved, allows the Company to adapt risk controls to changes in the portfolio.
The financing quality control takes place by monitoring both the specific counterparty (Transferor, assigned Debtor, any Guarantors) and portfolio risk.
Referring to the credit risk component, the procedures currently in use make it possible to assess the risk profile towards the individual subject (Transferor and assigned Debtor) and those connected to it, quantifying the potential global risk of the financed entities and/or guaranteed without recourse.
About the portfolio credit risk component, particular attention to concentration risk, which affects exposures to the main economic and/or legal groups, was paid overtime.
This analysis is also carried out with regard to the positions shared with the Parent Company, for which it assesses the overall amount of outstanding exposures.

Organizational aspects

Factorit’s lending process complies with the Credit Regulations issued by its Board of Directors, which are in line with the parent’s lending regulations, that represent 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 complex management of lending process, in line with the policy issued by the Parent Company, is divided into the following phases:

- preliminary investigation;
- resolution;
- disbursement of credit;
- review of credit facilities;
- monitoring;
- impaired financial assets management.

Preliminary investigation

The investigation is aimed at ascertaining certain assumptions regarding the transaction, including:

- the creditworthiness of the requesting counterparty;
- the characteristics of the loans sold;
- the solvency of the transferred debtors;
- asset risk, i.e. the interaction of individual names within the transferred portfolio whose risk profile is determined by the concentration of debtors and their nature;
- risk concentration;
- the consistency between the performance of the transaction and the risk assumed;
- any guarantees.

The investigation process involves the Commercial function and the Credit Service function, guaranteeing the principle of opposing roles in the various stages of the process.

Resolution

The resolution phase consists in a set of activities aimed at formulating the decision to take a credit risk - on the basis of the results arising from the preliminary investigations and taking into consideration any other element for judgment.
The Authority with the strategic supervision function can resolve factoring operations for any amount and can delegate part of its competences to other internal authority, single or collegial, to this option.
In addition, thresholds are established beyond which a prior opinion of the Parent Company is mandatory.
The following elements are taken into consideration:

- amount of the requested loan,
- creditworthiness of the counterparty;
- adequacy of the technical form;
- adequacy of guarantees;
- risk concentration;

Disbursement of credit

The granted credit lines are made effective by the Concessions Secretary (Segreteria Fidi) only after completion of the resolution requirements. In this phase, every aspect related to the characteristics of the contract and the assigned receivables is assessed.
In particular, before the effective disbursement of credit, the formal and substantial compliance with the contractual scheme envisaged for the agreed technical form and any clauses specifically introduced are checked.
The disbursement takes place at the customer's request, usually after the assignment and a complex valuation made from the Responsible for the position, who examines the existing credit lines, the valuation of assigned receivables, the valuation of eventual alarms on the counterparties (Transferor and Debtors) involved in the operation using inquiries on the Risks Central of Bank of Italy.

Review

The single credit exposures are subject to a periodic monitoring, or review, for the purpose of ensuring the persistence of the conditions met during the preliminary investigation.
The review of an assignment is made by the Credit Service function and is activated:
- on a time basis, that is, with fixed deadlines or according to defined intervals;
- on reporting of the monitoring functions that also make use of automatic systems of risk indicators;
- on the initiative of the organizational unit that manages the report.

Monitoring

Credit risk monitoring is observed in all the management phases that characterize the credit relationship and, in particular, through an effective monitoring process aimed at formulating by the management Services and the receivables Service timely assessments regarding any anomalies and critical issues.
Continuous monitoring of risk positions makes it possible to detect any signs of a deterioration in creditworthiness with a view to ensuring that the quality of the portfolio is maintained.
The credit monitoring model provides risk performance monitoring, in analytical terms, with an intensity, frequency and depth proportional to the seriousness of the anomalies detected and is based on dedicated strategies, organizational structures and processes.
The positions that are characterized by a significant risk are subjected to appropriate analysis by the relevant functions (Receivables Service, Management Services and Monitoring of Credit Risks Office) and, if concrete signs of criticality are found, Legal and Litigation Service, in accordance to Monitoring of Credit Risks Office decides, because of their seriousness, to put them under observation or classify them among the “impaired counterparties”.

c) Measurement method of expected losses

Financial instruments classification

The *impairment* model requires the classification into three stages of the financial instruments included in the scope of application of IFRS 9 accounting standard. The three stages reflect the deterioration’s level in the credit quality. The first two stages, which represent performing exposures, divide this classification into transactions that did not have a significant increase in credit risk with respect to the initial recognition *(stage 1)* from those that instead had it *(stage 2)* even though they did not fall under impaired exposures *(stage 3).*
For the purposes of assessing the significant change in credit risk (*stage 2*), the peculiarities relating to the nature of the financial assets held and the reference context are considered. In particular:
- The positions classified as *Watchlist* through the monitoring process
- The positions classified as *Forborne performing*

while financial assets that have a *Pastdue* 30 days (although explicitly mentioned by the law) are excluded because, considered the specific nature of the factoring activity to operate on trade receivables. It can be expected that a delay in an invoice payment on the due date is not representative of an actual state of difficulty of the subject.

With reference to the impaired counterparties, or the stage 3 identification, all the Past-due, Unlikely-to-pay, and Non-performing exposures are included.
The positions classified in the different stages and in the impaired states are highlighted in the various management phases of the information system in order to monitor their exposures and guarantee the activities to protect against credit risk.

Expected loss

The expected loss is an estimate of the potential losses. It is calculated on the basis of the stage classification of the financial instrument.
In particular, in line with the framework established by the Parent Company, the company adopted a similar valuation method for the positions classified as Performing (*stage 1* and *stage 2*), the only distinguish element of which is the maturity length of the receivable and, consequently, the estimate of the expected loss.
In this model the following parameters are calculated, that applying them to the single exposures, they determine the expected loss:

- PD (Probability of Default) - Probability of Default, parameter that shows the probability (expressed in percentage) of a counterparty to move from Performing to Non-performing state within the period of 1 year or less if the expected residual life is less than 12 months (*stage 1*) or over the whole residual life of the receivable (*stage 2*). The parameter is calculated considering the forward-looking factors, basing on a specific model adopted by the parent Company;
- LDG (Loss Given Default) – loss rate in case of insolvency, parameter that shows (expressed in percentage) the incidence of the loss, net of recoveries, compared to the exposure's amount passed to insolvency, recognized basing on the historical experience of the recoveries related to positions classified to "Non-performing" and "Unlikely-to-pay" state. The legal expenses and discounting factors of recoveries done, are also considered in the expected loss calculation.

For the impaired positions, or in stage 3, the estimate of the expected loss is calculated on a flat rate or analytical basis, as better described in the paragraph "3. Impaired financial assets"

Sensitivity analysis of expected losses

As shown in Part A – Accounting Policies, paragraph "Section 4 Other Aspects" the determination of expected losses on not impaired financial assets considers significant judgmental elements, with reference to the model used for the expected losses calculation and the related risks' parameters, to the *trigger,* expression of a significant credit deterioration, to the macroeconomic scenarios selection. In particular, the inclusion of *forward-looking* factors requires to elaborate macroeconomics forecasts, to select scenarios and the related probability of occurrence, also to define a model able to show the relationship between the mentioned macroeconomics factors and the default rates of the exposures subject to measurement. The Company, through the Parent Company, carries out this activity with the support of a specialized external company (Prometeia) which supplies the software for the necessary processing. The company procedures provide that the responsible functions re-evaluate, according to a principle of prudence, the values mechanically determined through the use of the developed calculation algorithms and the related risk factors, balancing the need for timely updating and timely re-evaluation of the risk's level of the counterparties with those of stability and strength of the estimates. In case of secure proves of expected worsening of the risk, not captured by the valuation

models, they can supplement the results by temporary incremental correction factors. Considered the maturity profile of the portfolio positioned in the short term (approximately 3 months), the Company did not consider it significant to provide a sensitivity analysis at the reporting date.
About the determination of expected losses on positions classified to stage 3, and so impaired exposures, please refer to “Part A-Accounting Policies”. At the reporting date, in particular, the expected losses on impaired financial assets are calculated analytically, basing on the recovery forecasts, discounted on the basis of the original effective interest rates and the relative recovery timing. Considering that the recovery forecasts consider the specific debtor’s situation, it is considered not significant to provide a reasonable sensitivity analysis of the expected losses.
However, it cannot be excluded that a deterioration in the debtor's credit situation, also as a consequence of the possible negative effects on the economy related to the uncertainty of the international spread of Coronavirus, could lead to the recognition of further losses, even significant ones, compared to those considered at December 31, 2019 based on the conditions in force at the financial statements date.

d) Credit risk mitigation techniques

The essential features of a factoring transaction (variety of subjects involved and supply credit assignment) allow to identify, in the techniques aimed to consolidating the transfer of risk towards the assigned debtor and in the splitting of the same on a plurality of subjects, part the risk mitigation tools assumed by the factor.

With specific reference to contracts without appeal, there are many mitigation clauses that can be adopted, including:

- limitation of the credit risk assumed on each debtor;
- acquisition of direct or collateral guarantees;
- application of allowances;
- risk limitation in relation to the volumes of intermediated activities and the remuneration of the relationship;
- transfer obligations for the transferor;
- coverage by credit insurance.

3. Impaired financial assets

The technical and organisational procedures used to manage and monitor irregular assets depend on level of anomaly of the position.

As far as unlikely-to-pay exposures are concerned, the company monitors its relationship with the debtor, 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 of economic and financial context.

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

- for new positions, solicitation to their fixing;
- 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 honored their commitments;
- regular check 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.

In particular, with reference to Non-performing and Unlikely-to-pay exposures, the Legal and Litigation Office, which is responsible for quantifying the analytical loss forecasts, takes prospective recovery expectations into account in its assessments. In addition, the Company provides for a process that enables the amounts recoverable to be discounted according to the EIR rate of the transaction at the time of the first passage to unlikely-to-pay or Non-performing state.
For *Past due* exposures, in consideration of the historical low importance of this class, the Company uses a single parameter to calculate value adjustments on a flat-rate basis, calculated in line with the model adopted for performing exposures. This parameter is subject to periodic (annual) review based on the evolution of these exposures, considering a time span of 7 years.

4. Financial assets subject to commercial renegotiations and exposures subject to grants

The grant to a debtor who is or is about to face difficulties in meeting his financial commitments is regulated by the “Credit process guidelines” approved by the Board of Directors.
In order for an exposure to be identified as forborne, it is necessary that, on the basis of specific assessments of the Credit Service (in the case of not-impaired exposure) or of the Legal and Litigation Service (in the case of impaired exposures), both of the following conditions are met:

- the exposure is subject to the granting of tolerance measures (so-called forbearance measures) in favor of the counterparty;
- the counterparty benefiting from the concession is in a situation of *financial difficulty* or is in any case close to it.

Therefore, the grants manifest itself in conjunction with one of the following actions:

- modification of the terms or previous contractual conditions which the counterparty is presumed to be unable to comply with and which would not have been granted if the counterparty had not been in financial difficulty;
- total or partial refinancing of a contract relating to a "problematic" credit, which would not have been granted if the counterparty had not been in financial difficulty.

The identification of potential forborne loans is recognized regardless of the classification of the counterparty and is therefore carried out with reference to performing and non-performing exposures both.
The verification of the forbearance grant is carried out at the level of the individual factoring relationship, i.e. assignor without recourse or debtor without recourse. Consequently, only the exposures for which a grant is set up against the counterparty are considered as forborne exposures, remaining the other relationships not being modified or renegotiated.
The expected losses on the positions subject to concessions are estimated in relation to the classification of the financial instrument which can fall into stage 2 (forborne performing) or stage 3 (forborne non-performing).

QUANTITATIVE DISCLOSURE

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

Category	Non-performing exposures	Unlikely-to-pay exposures	Impaired pastdue exposures	Unpaired past due exposures	Other unpaired assets	Total
1. Financial assets measured at amortised cost	234.153	11.788.059	714.531	76.658.108	2.240.730.873	2.330.125.724
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily valued at fair value	-	-	-	-	-	-
5. Financial assets available for sale	-	-	-	-	-	-
31/12/2019	**234.153**	**11.788.059**	**714.531**	**76.658.108**	**2.240.730.873**	**2.330.125.724**
31/12/2018	**638.451**	**19.855.444**	**15.877**	**119.972.599**	**2.204.844.067**	**2.345.326.438**

2. Breakdown of credit exposures by portfolio and credit quality (gross and net amounts)

Categories	Impaired			Total partial Write-off	Not-impaired			Total (net exposure)
	Gross Amount	Total impairment losses	Net exposure		Gross Amount	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	49.141.480	36.404.737	12.736.743	48.345.912	2.319.307.226	1.918.245	2.317.388.981	2.330.125.724
2. Financial assets measured at fair value through OCI								
3. Financial assets measure at fair value								
4. Other financial assets mandatorily valued at fair value								
5. Financial assets available for sale								
Total 31/12/2019	**49.141.480**	**36.404.737**	**12.736.743**	**48.345.912**	**2.319.307.226**	**1.918.245**	**2.317.388.981**	**2.330.125.724**
Total 31/12/2018	**55.620.262**	**35.110.490**	**20.509.772**	**55.639.602**	**2.327.615.902**	**2.799.236**	**2.324.816.666**	**2.345.326.438**

Portfolio/quality	Assets with poor credit quality	Other assets	Total
1.Financial assets held for trading	-	-	**-**
2.Hedging derivatives	-	-	**-**
31/12/2019	**-**	**-**	**-**
31/12/2018	**-**	**-**	**-**

3. Distribution of financial assets for maturity (carrying amounts)

Portafolio/Risk stages	First stage			Second stage			Third stage		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	38.280.806	28.494.824	4.376.850	372.468	910.483	4.019.467	5.201	677.376	9.758.052
2. Financial assets measured at fair value through OCI									
Total 31/12/2019	**38.280.806**	**28.494.824**	**4.376.850**	**372.468**	**910.483**	**4.019.467**	**5.201**	**677.376**	**9.758.052**
Total 31/12/2018	**100.842.851**	**12.677.146**	**4.211.565**	**603.465**	**20.916**	**58.331**	**15.362**	**40.612**	**13.418.379**

4. Financial assets, commitments to grant funds and financial guarantees given: dynamics of overall value adjustments and total provisions

Risk stages	Overall value adjustments												Of which: Purchased or originated credit impaired financial assets	Overall provisions on: Commitments to grant funds and financial gurantees given			Total
	First stage				Second stage				Third stage								
	Financial assets measured at amortised cost	Financial assets measured at Fair value through OCI	Of which: individual write-downs	Of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through OCI	Of which: individual write-downs	Of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through OCI	Of which: individual write-downs	Of which: collective write-downs		Third stage	Second stage	Third stage	
Overall initial adjustments	**2.548.719**			**2.548.719**	**250.517**			**250.517**	**35.110.490**		**35.110.490**		**18.925**	**101.085**	**823**	**1.083.489**	**39.095.123**
Changes from purchased or originated credit impaired financial assets (+)																	
Cancellations different from write-off	(2.074.913)			(2.074.913)					(2.018.894)		(2.018.894)						(4.093.807)
Net impairment losses for credit risk (+/-)	1.261.807			1.261.807	(61.824)			(61.824)	12.970.622		12.970.622			188.818	2.109	(733.815)	13.627.717
Contractual variances without cancellation																	
Changes in the estimation methodology																	
Write-off									(9.663.542)		(9.663.542)		(6.822)				(9.663.542)
Other	1.648			1.648	(7.709)			(7.709)	6.061		6.061						
Overall closing adjustments	**1.737.261**			**1.737.261**	**180.984**			**180.984**	**36.404.737**		**36.404.737**		**12.103**	**289.903**	**2.932**	**349.674**	**38.965.491**
Recoveries from collection of financial assets subject to write-off									90.258		90.258						90.258
Write-off through Profit & Loss																	

For the sub-caption "commitments to grant funds and other financial guarantees given" is should be noted that the adjustments are related to both commitments to give "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) and commitments related to "committed lines" provided to some elevate standing customers.

5. Financial assets, commitments to grant funds and financial guarantees given: transfers among the different stages of credit risk

Portfolio/stage of risk	Gross value/ Nominal value					
	Trasfers from first to second stage		Trasfers from second to third stage		Transfers from first to third stage	
	From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
1. Financial assets measured at amortised cost	65.547.022	10.896.392	258.834	8.411.252	6.207.216	26.648
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-
3. Commitments to grant funds and financial gurantees given	2.996.344	192.596	6.078	6.591.684	1.521.764	2.546.920
Total 31/12/2019	**68.543.366**	**11.088.988**	**264.912**	**15.002.936**	**7.728.980**	**2.573.568**
Total 31/12/2018	**18.998.167**	**38.319.042**	**533.890**	-	**38.565.468**	**1.800.000**

6.Credit exposures to customers, banks and financial institutions

6.1 Credit and off-balance sheet exposures to banks and financial institutions: gross and net values

Exposure types	Gross exposure		Total value adjustment and total provisions	Net exposure	Total partial Write-off
	Impaired assets	Not impaired assets			
A. ON BALANCE SHEET EXPOSURES					
a) Non-performing exposures					
- Including: forborne exposures					
b) Unlikely-to-pay exposures					
- including: forborne exposures					
c) Impaired past-due exposures					
- including: forborne exposures					
d) Not-impaired past-due exposures		46.885	(21)	46.864	
- including: forborne exposures					
e) Other assets		13.521.833	-	13.521.833	
- including: forborne exposures					
TOTAL A	**-**	**13.568.718**	**(21)**	**13.568.697**	
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired					
b) Not impaired		10.968.065	(4.753)	10.963.312	
TOTAL B		**10.968.065**	**(4.753)**	**10.963.312**	
TOTAL A+B	**-**	**24.536.783**	**(4.774)**	**24.532.009**	

In off-balance sheet credit exposures, in addition to the commitments on the part of without recourse not yet anticipated, also the credit lines granted to customers are reported.

6.2 Cash credit exposures to banks and financial institutions: dynamics of gross impaired exposures

Categories	Non-performing exposures	Unlikely-to-pay exposures	Impaired past-due exposures
A. Initial gross exposure		**295.812**	
- of which: not canceled sold exposures			
B. Increases			
B.1 from non-impaired exposures			
B.2 from impaired financial assets acquired or impaired exposure			
B.3 disposals from other categories of impaired exposures			
B.4 contractual variances without cancellation			
B.5 other			
C. Decreases		**295.812**	
C.1 to non-impaired exposures			
C.2 write-off		65.812	
C.3 receipts		230.000	
C.4 Profit from disposals			
C.5 Losses from disposals			
C.6 transfers to other categories of impaired exposures			
C.7 contractual variances without cancellation			
C.8 other			
D. Final gross exposure		**-**	
- of which: not canceled sold exposures			

6.2bis Credit exposures to banks and financial institutions: dynamics of exposures subject to gross concessions distinguished by credit quality

Quality	Forborne exposures: impaired	Forborne exposures: not-impaired
A. Initial gross exposure	**-**	**-**
- of which: not canceled sold exposures		
B. Increases		
B.1 from not-impaired non-forborne exposures		
B.2 from not-impaired forborne exposures		
B.3 from impaired forborne exposures		
B.4 other		
C. Decreases		
C.1 to not-impaired non-forborne exposures		
C.2 to not-impaired forborne exposures		
C.3 to impaired forborne exposures		
C.4 write-off		
C.5 receipts		
C.6 Profit from disposals		
C.7 Losses from disposals		
C.8 other		
D. Final gross exposure	**-**	**-**
- of which: not canceled sold exposures		

6.3 Impaired cash credit exposures to banks and financial institutions: changes in total value adjustments

Reason/Categories	Non-performing exposures		Unlikely-to-pay exposures		Impaired past-due exposures	
	Total	Of which: Forborne exposures	Total	Of which: Forborne exposures	Total	Of which: Forborne exposures
A. Initial total adjustments	**-**	**-**	**267.564**	**-**	**-**	
- of which: not canceled sold exposures						
B. Increase			**433**			
B.1 from purchased or originated credit impaired financial assets						
B.2 other adjustments			433			
B.3 Losses from disposals						
B.4 transfers to other categories of impaired exposures						
B.5 contractual variances without cancellation						
B.6 other						
C. Decreases			**267.997**			
C.1 valuation value gains						
C.2 recovery receipts			202.185			
C.3 Profit from disposals						
C.4 write-off			65.812			
C.5 transfers to other categories of impaired exposures						
C.6 contractual variances without cancellations						
C.7 other						
D. Final total adjustments	**-**	**-**	**-**	**-**	**-**	**-**
- of which: not canceled sold exposures						

6.4 Credit and off-balance sheet exposures to customers: gross and net values

Exposure types	Gross exposure		Total value adjustements and total provisions	Net exposure	Total partial Write-off
	Impaired assets	Not impaired assets			
A. ON BALANCE SHEET EXPOSURES					
a) Non-performing exposures	11.884.756		(11.650.603)	234.153	47.859.583
- of which: forborne exposures	-		-	-	
b) Unlikely-to-pay exposures	36.471.525		(24.683.466)	11.788.059	486.233
- of which: forborne exposures	1.158.503		(209.177)	949.326	
c) Impaired past-due exposures	785.199		(70.668)	714.531	
- of which: forborne exposures					
d) Not impaired past-due exposures		76.788.738	(177.494)	76.611.244	
- of which: forborne exposures		1.531.333	(2.229)	1.529.104	
e) Other assets		2.228.949.770	(1.740.730)	2.227.209.040	96
- of which: forborne exposures		6.876.982	(10.011)	6.866.971	
TOTAL A	**49.141.480**	**2.305.738.508**	**(38.322.961)**	**2.316.557.027**	**48.345.912**
B.OFF BALANCE SHEET EXPOSURES					
a) Impaired	1.527.849		(349.675)	1.178.174	
b) Non-impaired		1.492.814.988	(288.081)	1.492.526.907	
TOTAL B	**1.527.849**	**1.492.814.988**	**(637.756)**	**1.493.705.081**	
TOTAL A+B	**50.669.329**	**3.798.553.496**	**(38.960.717)**	**3.810.262.108**	**48.345.912**

In the off-balance sheet credit exposures, in addition to the commitments on the part of "without recourse" not yet anticipated, also the credit lines granted to customers have been reported.

6.5 Credit exposures to customers: dynamics of gross impaired exposures

Reason/Categories	Non-performing exposures	Unlikely-to-pay exposures	Impaired past-due exposures
A. Initial gross exposure	**17.149.619**	**38.157.218**	**17.613**
- of which: not canceled sold exposures			
B. Increases	**5.693.849**	**52.690.665**	**2.045.815**
B.1 from not-impaired exposures	101.673	10.263.978	1.098.838
B.2 from impaired financial assets or impaired exposure			
B.3 transfers to other categories of impaired exposures	4.580.490		
B.4 contractual variances without cancellation			
B.5 other	1.011.686	42.426.687	946.977
C. Decreases	**10.958.712**	**54.376.358**	**1.278.229**
C.1 to not-impaired exposures			
C.2 write-off	9.500.779	96.951	
C.3 receipts	1.457.933	44.209.297	641.368
C.4 Profit from disposals			
C.5 Losses from disposals			
C.6 transfers to other categories of impaired exposures		4.580.490	
C.7 contractual variances without cancellation			
C.8 other		5.489.620	636.861
D. Final gross exposure	**11.884.756**	**36.471.525**	**785.199**
- of which: not canceled sold exposures			

6.5bis Cash credit exposures to customers: dynamics of exposures subject to gross concessions distinguished by credit quality

Qualities	Forborne exposures: impaired	Forborne exposures: not-impaired
A. Gross initial exposures	**2.298.417**	**-**
- of which: not canceled sold exposures		
B. Increases	**39.545.622**	**8.408.315**
B.1 from not-impaired non-forborne exposures	-	
B.2 from not-impaired forborne exposures		
B.3 from impaired forborne exposures		14.156
B.4 other	39.545.622	8.394.159
C. Decreases	**40.685.536**	
C.1 from not-impaired non-forborne exposures		
C.2 from not-impaired forborne exposures		
C.3 from impaired forborne exposures		
C.4 write-off	-	
C.5 receipts	40.682.507	
C.6 Profit from disposals		
C.7 Losses from disposals		
C.8 other	3.029	
D. Final gross exposure	**1.158.503**	**8.408.315**
- of which: not canceled sold exposures		

6.6 Impaired cash credit exposures to customers: dynamics of overall value adjustments

Categories	Non-performing exposures		Unlikely-to-pay exposures		Impaired past due exposures	
	Total	Of which: Forborne exposures	Total	Of which: Forborne exposures	Total	Of which: Forborne exposures
A. Initial total adjustments	**16.511.168**	**-**	**18.330.022**	**431.303**	**1.736**	**-**
- of which: not canceled sold exposures						
B. Increases	**5.809.678**	**-**	**11.012.028**		**70.873**	**-**
B.1 value adjustments purchased or originated credit impaired financial assets						
B.2 other value adjustments	2.327.774		11.006.317		70.521	
B.3 Losses from disposals						
B.4 transfers to other categories of impaired exposures	3.481.904					
B.5 contractual variances without cancellation						
B.6 other			5.711		352	
C. Decreases	**10.670.243**	**-**	**4.658.584**	**222.126**	**1.941**	**-**
C.1 valuation value gains	80.402		353.496	159.534	528	
C.2 recovery receipts	1.089.062		726.233	62.592	1.413	
C.3 Profit from disposals						
C.4 write-off	9.500.779		96.951			
C.5 Transfers to other categories of impaired exposures			3.481.904			
C.6 contractual variances without cancellation						
C.7 other						
D. Final total adjustments	**11.650.603**	**-**	**24.683.466**	**209.177**	**70.668**	**-**
- of which: not canceled sold exposures						

7 Classification of financial assets, commitments to grant funds and financial guarantees given basing on internal and external rating classes.

Factorit, as per the exposures belonging to the Central Administration and Central banks portfolio, uses the external rating of the ECAI Scope Rating AG.

Company	Class of creditworthiness	Rating	Rating Italia at 31/12/2019
Scope Rating AG	2	B	BBB+

Moreover, the company, starting from 31.03.2017, as regard the exposures belonging to “Corporates and other subjects” portfolio, uses the external rating of the ECAI Cerved Rating Agency S.p.A. Their valuations are only for resident companies with turnover equal to or higher than 50 million euros or with an exposure equal to or higher than 1,5 million euros.

Company	Class of creditworthiness	Rating
Cerved Group spa	1	A1.1, A1.2, A1.3
Cerved Group spa	2	Da A2.1 a A3.1
Cerved Group spa	3	B1.1, B1.2
Cerved Group spa	4	B2.1, B2.2
Cerved Group spa	5	C1.1
Cerved Group spa	6	Da C1.2 a C2.1

7.1 Distribution of financial assets, commitments to grant funds and financial guarantees given according to external rating classes (gross amount)

Exposures	External rating classes						without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	**103.123.524**	**441.339.675**	**530.410.050**	**122.515.505**	**24.936.112**	**612.059**	**1.145.511.781**	**2.368.448.706**
- First stage	103.123.524	441.306.867	495.606.344	98.440.100	10.628.759		1.000.454.570	2.149.560.164
- Second stage			34.803.706	24.075.405	14.307.353	612.059	95.948.540	167.747.063
- Third stage		32.808					49.108.671	49.141.479
B. Financial assets measured at fair value through OCI								
- First stage								
- Second stage								
- Third stage								
Total (A + B)	**103.123.524**	**441.339.675**	**530.410.050**	**122.515.505**	**24.936.112**	**612.059**	**1.145.511.781**	**2.368.448.706**
Of which: purchased or originated credit impaired financial assets							12.103	12.103
C. Commitments to grant funds and financial guarantees given	**6.300.467**	**246.089.415**	**243.224.280**	**93.263.257**	**5.287.362**	**1.487.942**	**909.658.179**	**1.505.310.902**
- First stage	6.300.467	246.089.415	242.971.664	91.480.438	3.229.133	1.487.942	900.879.681	1.492.438.740
- Second stage			252.616	1.782.819	2.058.229		7.250.649	11.344.313
- Third stage							1.527.849	1.527.849
Totale (C)	**6.300.467**	**246.089.415**	**243.224.280**	**93.263.257**	**5.287.362**	**1.487.942**	**909.658.179**	**1.505.310.902**
Totale (A + B + C)	**109.423.991**	**687.429.090**	**773.634.330**	**215.778.762**	**30.223.474**	**2.100.001**	**2.055.169.960**	**3.873.759.608**

With the introduction of the new IFRS 9 accounting standard, in the off-balance sheet credit exposures have been reported, in addition to the commitments on the part of “without recourse” not yet anticipated, also the credit lines granted to customers.

9. Credit concentration

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

	Government and Central Banks			Other government agencies			Banks			Financial Institutions			Non financial Institutions			Households		
	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	Net exposure	Individual impairment	Collective impairment
A. On balance																		
A.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	234.153	11.556.255	-	-	94.348	-
Of which: forbome exposures													-	-				
A.2 Unlikely to pay exposures	-	-	-	189.867	207.583	-	-	-	-	-		-	11.591.701	24.450.657	-	6.491	25.226	-
Of which: forbome exposures													949.326	209.177		-	-	
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-	699.040	69.136	-	15.491	1.532	-
Of which: forbome exposures													-	-				
A.4 Other exposures	-	-	-	24.728.001	-	10.964	12.752.502	-	21	816.195	-	-	2.261.622.847		1.880.451	17.469.436		26.809
Of which: forbome exposures													-	-				
Total A	**-**	**-**	**-**	**24.917.868**	**207.583**	**10.964**	**12.752.502**		**21**	**816.195**	**-**	**-**	**2.274.147.741**	**36.076.048**	**1.880.451**	**17.491.418**	**121.106**	**26.809**
B. Off-balance sheet exposures																		
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-	-		1.055.054	325.977		123.120	23.698	
B.2 Other exposures	-	-	-	3.406.375	-	4.769	143.519	-	5	10.819.793	-	4.748	1.442.177.407		273.641	46.943.125		9.671
Total B	**-**	**-**	**-**	**3.406.375**	**-**	**4.769**	**143.519**		**5**	**10.819.793**		**4.748**	**1.443.232.461**	**325.977**	**273.641**	**47.066.245**	**23.698**	**9.671**
Total 31/12/2019	**-**	**-**	**-**	**28.324.243**	**207.583**	**15.733**	**12.896.021**	**-**	**26**	**11.635.988**		**4.748**	**3.717.380.202**	**36.402.025**	**2.154.092**	**64.557.663**	**144.804**	**36.480**
Total 31/12/2018	**-**	**-**	**-**	**2.932.670**	**133.948**	**1.784**	**58.518.534**	**-**	**18.908**	**20.187.019**	**267.564**	**50.405**	**3.760.284.504**	**35.498.749**	**2.816.902**	**62.242.199**	**293.718**	**13.145**

9.2 Breakdown of loans and receivables with customers by geographical segment

Exposures/geographical segment	ITALY		OTHER EUROPEAN COUNTRIES		UNITED STATES		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 balance sheet exposures										
A.1 Non-performing exposures	234.153	10.123.448	-	1.527.155	-	-	-	-	-	-
A.2 Unlikely-to-pay exposures	11.788.059	24.683.466	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	714.531	70.668	-	-	-	-	-	-	-	-
A.4 Other exposures	2.036.197.825	1.653.618	93.942.150	76.221	100.252.992	63.073	18.758.175	10.153	68.237.839	115.180
Total A	**2.048.934.568**	**36.531.200**	**93.942.150**	**1.603.376**	**100.252.992**	**63.073**	**18.758.175**	**10.153**	**68.237.839**	**115.180**
B. Off balance sheet exposures										
B.1 Impaired exposures	1.178.174	349.675	-	-	-	-	-	-	-	-
B.2 Other exposures	1.452.393.026	283.764	50.282.114	8.888	76.880	86	429.908	70	308.291	26
A. On balance sheet exposures	**1.453.571.200**	**633.439**	**50.282.114**	**8.888**	**76.880**	**86**	**429.908**	**70**	**308.291**	**26**
Total 31/12/2019	**3.502.505.768**	**37.164.639**	**144.224.264**	**1.612.264**	**100.329.872**	**63.159**	**19.188.083**	**10.223**	**68.546.130**	**115.206**
Total 31/12/2018	**3.602.747.170**	**36.043.948**	**171.094.923**	**2.686.013**	**69.869.773**	**46.889**	**10.228.822**	**6.670**	**50.224.238**	**311.600**

In details, net on-balance exposures towards customers belonging to the category “rest of the world” are divided as follows:

- Australia for euro 1.501.149
- Egitto for euro 17.739.633
- Etiopia for euro 48.997.057

9.2.1 Breakdown of loans and receivables with customers by geographical segment (Italy)

31/12/2019 Credit quality	North West Italy		Nord East Italy		Centre Italy		South Italy		Italy's Islands	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On balance sheet exposures										
Non-performing exposures	45.983	3.681.550	2.721	934.524	68.108	1.201.922	111.116	4.268.528	6.225	36.924
Unlikely-to-pay exposures	985.487	1.047.126	1.769.048	4.432.811	8.805.545	19.081.470	224.640	110.725	3.339	11.334
Impaired pastdue exposures	243.698	24.103	19.357	1.914	451.290	44.633	-	-	186	18
Other operations	1.131.768.544	865.233	366.775.042	321.202	360.414.396	283.614	75.680.847	100.512	101.558.996	83.057
TOTAL A	**1.133.043.712**	**5.618.012**	**368.566.168**	**5.690.451**	**369.739.339**	**20.611.639**	**76.016.603**	**4.479.765**	**101.568.746**	**131.333**
B. Off balance sheet exposures										
Impaired exposures	247.224	23.367	366.510	181.056	517.705	22.479	11.878	40.205	34.856	82.567
Not-impaired exposures	874.672.516	205.768	306.846.485	40.428	166.761.777	23.019	88.642.889	10.630	15.469.360	3.920
TOTAL B	**874.919.740**	**229.135**	**307.212.995**	**221.484**	**167.279.482**	**45.498**	**88.654.767**	**50.835**	**15.504.216**	**86.487**
(TOTAL A+B) 31/12/2019	**2.007.963.452**	**5.847.147**	**675.779.163**	**5.911.935**	**537.018.821**	**20.657.137**	**164.671.370**	**4.530.600**	**117.072.962**	**217.820**
(TOTAL A+B) 31/12/2018	**2.061.623.206**	**8.581.088**	**710.412.102**	**5.306.860**	**574.099.492**	**14.602.930**	**131.294.010**	**6.679.877**	**125.318.360**	**904.193**

9.3 Large exposures

	31/12/2019	31/12/2018
a) Carrying Amount	916.910.536	1.018.444.411
b) Weighted Amount	729.488.378	902.237.426
c) Number	18	21

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.

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

As part of its factoring management system, the company updates the IT application that enables daily monitoring of Large Exposures using estimated values.

11. Other quantitative disclosure

The total amount of large exposures is well below the global limit of eight times the regulatory capital.
Starting from the fourth quarter of 2017, for the risk exposures which fall above the 25% capital threshold, the Parent Company provides coverage of the exceeding individual limit by granting financial personal commitment.
At 31st December 2019, four primary groups exceeded the above mentioned 25%.

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 portfolio and marginally to currency risk.

3.2.1 Interest rate risk

QUALITATIVE DISCLOSURE

1 – GENERAL INFORMATION MANAGING PROCESSES AND OTHER METHODS TO MEASURE INTEREST RATE RISK

The managing and controlling processes are defined by the Parent Company, to which we refer also for technical aspects.
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 Factorit's assets and liabilities make the impact of a change in market rates on the fair value of assets and liabilities marginal.
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 200 bp increase in interest rates over twelve months would lead to an increase of €2 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 200 bp decrease in interest rates over twelve months would lead to a decrease of €4 million in the future interest income.

A.3. – Other quantitative disclosure 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 regulator provisions (20% of regulatory capital).

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual maturity (re-pricing date)

Captions	On demand	Up to 3 months	From 3 to 6 months	From 6 moths to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**612.288.316**	**1.191.054.204**	**158.820.879**	**156.872.928**	**39.482.771**	**36.029**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	612.288.316	1.191.054.204	158.820.879	156.872.928	39.482.771	36.029	-	-
1.3 Other Assets	-	-	-	-	-	-	-	-
2. Liabilities	**319.499.246**	**1.598.962.973**	**4.942.920**	**743.304**	**5.559.852**	**326.275**	**21.385**	**-**
2.1 Financial liabilities	319.499.246	1.598.962.973	4.942.920	743.304	5.559.852	326.275	21.385	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-		-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

2. Breakdown of financial assets and liabilities by residual maturity (re-pricing date) - Currency: USD

	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	**7.946.901**	**138.342.941**	**13.458.070**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	7.946.901	138.342.941	13.458.070	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**212.036**	**73.232.386**	**84.722.534**	**-**				**-**
2.1 Financial liabilities	212.036	73.232.386	84.722.534	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Derivati finanziari	-	-	-	-	-	-	-	-
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: GBP

	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	**2.112.808**	**1.652.419**	**112.250**	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	2.112.808	1.652.419	112.250	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**5.503**	**2.360.848**	**614.868**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	5.503	2.360.848	614.868	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Other 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	**176.080**	**7.769.128**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	176.080	7.769.128	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**12.395**	**6.690.450**	**1.163.318**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	12.395	6.690.450	1.163.318	-	-	-	-	-
2.2 Debt instruments	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Other 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 aspects

The Company is not exposed to price risk.

3.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

1. General aspects

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

Captions	Currency					
	US Dollar	Pound sterling	Yen	Canadian Dollar	Swiss franc	Other currencies
1. Financial assets	**159.747.912**	**3.877.477**	**158**	**2.057.738**	**12**	**5.887.300**
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Loans and Receivables	159.747.912	3.877.477	158	2.057.738	12	5.887.300
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-
3. Financial liabilities	**158.166.956**	**2.981.219**	**6**	**2.049.874**	**20**	**5.816.263**
3.1 Debts	158.166.956	2.981.219	6	2.049.874	20	5.816.263
3.2 Debt instruments	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**751.104**	**845.662**	**-**	-	**-**	**13.426**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**159.747.912**	**3.877.477**	**158**	**2.057.738**	**12**	**5.887.300**
Total liabilities	**158.918.060**	**3.826.881**	**6**	**2.049.874**	**20**	**5.829.689**
Difference (+/-)	**829.852**	**50.596**	**152**	**7.864**	**(8)**	**57.611**

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.
This type also includes fraud’s risks, human errors, business interruptions, system’s disruption and unavailability, contractual defaults, natural disasters.
Operational risk’s perimeter also includes legal and IT risk while strategic risks and reputation are excluded. Based on the Group's operational risk management policy and in line with the proportionality principle, the Operational Risk Management Framework (OMR) was further strengthened during 2019 and it comprises:

- a process for the collection of operational loss data (Loss Data Collection - LDC), aimed at ensuring an accurate detection of risk events that generate losses and the recording both of monetary values and of qualitative information that specify when, how, where and why the event arose;
- a process for assessing the prospective exposure to operational risk (Risk Self-Assessment - RSA), aimed at investigating the perception of business experts about the potential risks in which the company could incur during business operations and to seize indications regarding the interventions, proposed or implemented, for the prevention and mitigation of risky phenomena;
- a process of measuring operational risk for the calculation of the capital requirement focused on the adoption of the "Basic Indicator Approach" (BIA) method, which provides for the application of a single regulatory coefficient (15%) to the average of the last three years observations of the Relevant Indicator, calculated in accordance with the procedures set the Community regulations.

Factorit periodically submits specific information flows to the Parent Company in order to contribute to the assessment of the exposure’s level to operational risks with regard to the entire Group.
In addition, the company annually contributes to the feeding of GRIFO database (“Governo rischi operativi nel factoring”) taking part to the project promoted by the intermediary association of factoring (ASSIFACT). This provides for the collection and storage of operational loss data in order to build a common database for the association partners.

QUANTITATIVE DISCLOSURE

Operating losses were recognized as part of the Group's "Loss Data Collection" activity according to the classification scheme of the operational risk events, which provides 7 events types (First Level Event Type).
The recorded operating losses relate to events (Event Type 4 and 7) attributable to defaults / negligence relating to the application of laws, codes, behavioral rules and professional obligations towards customers or due to defects in the nature or characteristics of products, services and models including prudential provisions for legal disputes.
The capital requirement for operational risk is quantified with the basic method (Basic Indicator Approach - BIA) which provides for a single regulatory coefficient (15%) to the

average of the last 3 observations of the Relevant Indicator, calculated in compliance with the Supervisory provisions.
Based on methodology (BIA), described in the previous paragraph, as at 31st December 2019, it amounts to Euro 6,7 million.

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

Basing on the assumptions of Bank of Italy liquidity risk is defined as risk for which a company is unable to meet its payment obligations or to fund its assets on a timely basis. This may happen due to the inability to raise funds or to get them at reasonable costs on the market (funding liquidity risk) or the difficulty of disinvesting its assets incurring capital losses (market liquidity risk).
On the basis of such statement, Factorit scope is to pursue risks containment and, in a prudential view, to maintain the balance between assets and liabilities maturities while pursuing the increase in the levels of 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 Company Banca Popolare di Sondrio S.C.p.A and Banco BPM S.p.A. Group. This circumstance makes it possible to state that liquidity regarding Factorit risk,is marginal.
However, the company's real liquidity risk is tied to the liquidity risk of its Parent Company, whose adoption of specific guidelines is appreciable. They cover the concentration of funding with retail customers, who are 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, not-discounted cash flows are recorded in the relevant residual maturity brackets excluding any fixed impairment losses.

1. Breakdown of financial assets and liabilities by residual contract maturity

Captions/timing phases	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 months	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	**166.882.965**	**103.377.057**	**266.895.083**	**396.524.952**	**722.062.523**	**245.985.173**	**208.399.391**	**46.067.673**	**4.577.954**	**46.420**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments											-
A.3 Financing	166.882.965	103.377.057	266.895.083	396.524.952	722.062.523	245.985.173	208.399.391	46.067.673	4.577.954	46.420	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**318.207.774**	**1.081.864**	**9.006.429**	**1.436.115.498**	**153.457.364**	**5.244.379**	**1.035.133**	**2.938.804**	**2.621.048**	**347.660**	**-**
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	302.853.859	1.078.960	9.003.681	1.435.413.984	152.397.501	55.923	112.192	453.768	461.756	347.660	-
- Financial institutions	26.936	257	714	253	2.446	2.523	4.405	2.325	-	-	-
- Customers	15.326.979	2.647	2.034	701.261	1.057.417	5.185.933	918.536	2.482.711	2.159.292	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**30.486.644**	**5.799.239**	**11.615.682**	**46.100.870**	**91.534.667**	**63.129.864**	**72.566.350**	**4.882.951**	**3.123**	**-**	**-**
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	**30.486.644**	**5.799.239**	**11.615.682**	**46.100.870**	**91.534.667**	**63.129.864**	**72.566.350**	**4.882.951**	**3.123**	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	30.486.644	5.799.239	11.615.682	46.100.870	91.534.667	63.129.864	72.566.350	4.882.951	3.123	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

With regard to liabilities, deposits with Banks are represented by Euro 1.602.934.149 from payables to the Parent Company, while Euro 279.309.209 are due to Banco BPM S.p.A. Group.

2. Breakdown of financial assets and liabilities by residual contract maturity – Currency: USD

Captions/timing phases	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 year	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	Afer 5 years	Open term
Assets	**7.970.513**	**2.259.496**	**21.184.089**	**4.372.114**	**110.589.758**	**13.470.431**		**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	7.970.513	2.259.496	21.184.089	4.372.114	110.589.758	13.470.431	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**212.036**	**-**		**628.569**	**72.603.817**	**84.722.535**	**-**	**-**	**-**	**-**	**-**
B.1 Due to:							-	-	-	-	-
- Banks	212.036	-	-	469.638	38.969.778	78.020.055	-	-	-	-	-
- Financial Institutions	-	-	-	158.931	32.930.635	6.702.480	-	-	-	-	-
- Customers	-	-	-	-	703.404	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**612.031**		**8.045**	**452.775**	**602.850**	**22**	**-**	**-**	**-**	**-**	**-**
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	**612.031**		**8.045**	**452.775**	**602.850**	**22**	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	612.031		8.045	452.775	602.850	22	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

3. Breakdown of financial assets and liabilities by residual contract maturity– Currency: GBP

Captions/timing phases	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	**2.117.257**	**528.617**	**151.897**	**159.332**	**813.230**	**112.351**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	2.117.257	528.617	151.897	159.332	813.230	112.351	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**5.504**	**1.422**		**547.766**	**1.811.661**	**614.868**	**-**	**-**	**-**	**-**	**-**
B.1 Due to:		-	-	-	-		-	-	-	-	-
- Banks	5.504	1.422		547.766	1.811.661	614.868	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**264.619**	**3.636**	**67.443**	**63.417**	**181.040**	**-**	**-**	**-**	**-**	**-**	**-**
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	264.619	3.636	67.443	63.417	181.040	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	264.619	3.636	67.443	63.417	181.040	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

4. Breakdown of financial assets and liabilities by residual contract maturity – Currency: OTHER

Captions/timing phases	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	**176.630**	**933.059**	**418.284**	**2.139.875**	**4.280.188**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Othe debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	176.630	933.059	418.284	2.139.875	4.280.188	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**12.394**	**-**	**-**	**1.063.366**	**5.627.084**	**1.163.318**	**-**	**-**	**-**	**-**	**-**
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	12.394	-	-	670.972	5.076.821	1.163.318	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Clustomers	-	-	-	392.394	550.263	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**21.395**	**-**	**-**	**80.914**	**66.131**	**-**		**-**	**-**	**-**	**-**
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	**21.395**	**-**	**-**	**80.914**	**66.131**	**-**	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	21.395	-	-	80.914	66.131	-	-	-	-	-	-
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 € 119,6 million to the reserves in the last twelve years.

		(million euros)		
2007-2015	**2016**	**2017**	**2018**	**Totale**
99,4	3,2	9,2	7,8	119,6

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

Captions	31/12/2019	31/12/2018
1. Share Capital	**85.000.002**	**85.000.002**
2. Share premium	**11.030.364**	**11.030.364**
3. Reserves	**139.741.749**	**131.888.245**
- income related	130.572.549	122.719.043
a) legal	12.183.664	11.790.989
b) statutory		
c) treasury shares		
d) other	118.388.885	110.928.054
- other	9.169.200	9.169.202
4. (Treasury shares)		
5. Valuation reserves	**-337.081**	**-242.996**
- Financial assets measured at fair value through OCI	31.374	31.374
- Hedging of equity instruments measured at fair value through OCI		
- Financial assets (other than equities) measured at fair value through OCI		
- Property and equipment		
- Intangible assets		
- Hedge of investments in foreign operations		
- Cash flow hedges		
- Exchange rate gains (losses)		
- Currency differences		
- Non-current assets held for sale and disposal groups		
- Finacial liabilities measured at fair value through profit or loss		
- Special revaluation laws		
- Net actuarial losses on defined benefit pension plans	-368.455	-274.370
- Portion of revaluation reserves of equity-accounted investees		
6. Equity instruments		
7. Profit for the year	**5.160.891**	**7.853.504**
Total	**240.595.925**	**235.529.119**

4.1.2.2 Valuation reserves of financial assets measured at fair value through OCI: breakdown

Assets	31/12/2019		31/12/2018	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt instruments				
2. Equity instruments	31.374		31.374	
3. Financing				
Total	**31.374**		**31.374**	

4.1.2.3 Valuation reserves of financial assets measured at fair value through OCI: annual changes

	Debt instruments	Equity instruments	Financing
1. Opening balance		**31.374**	
2.Increases		**-**	
2.1 Fair value increases		-	
2.2 Impairment losses for credit risk			
2.3 Reversal to the income statement of negative reserves			
2.4 Transfers to other equity components (equity instruments)			
2.5 Other			
3. Decreases			
3.1 Fair value decreases			
3.2 Write-backs for credit risk			
3.3 Reversal to the income statement of positive reserves			
3.4 Transfers to other equity components (equity instruments)			
3.5 Other			
4. Closing balance		**31.374**	

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 Authority uses the regulatory capital to assess the stability of the company and of the system.
Regulatory capital is subject to severe prudential controls, such as the requirements set on risks and risk concentration.
At the reporting date, the company's regulatory capital solely consisted of Common Equity Tier 1 capital.

4.2.1.2 Quantitative disclosure

	31/12/2019	31/12/2018
A. Common Equity Tier 1 (CET1) before application of prudential filters	**235.435.034**	**235.529.119**
B. CET1 prudential filters (+/-):		
B.1 Positive prudential filters IAS/IFRS (+)		
B.2 Negative prudential filters IAS/IFRS (-)		
C. CET1 including the elements to be deducted (A + B)	**235.435.034**	**235.529.119**
D. Elements to be deducted from CET1	**386.700**	**210.798**
E. Total Common Equity Tier 1 (CET1) (C – D)	**235.048.334**	**235.318.321**
F. Additional Tier 1 Capital (AT1) gross of the elements to be deducted and of the transitory disposition		
G. T2 prudential filters:		
G.1 Positive prudential filters IAS/IFRS (+)		
G.2 Negative prudential filters IAS/IFRS (-)		
H. Tier 2 capital (T2) grosso of the elements to be deducted and of the transitory disposition (F + G)		
I. Elements to be deducted from T2		
L. Total Tier 2 (TIER 2) (H – I)		
M. Elements to be deducted from CET1 and T2		
N. Total Own Funds (E + L – M)	**235.048.334**	**235.318.321**

Own Funds do not include the profit of the year because the certification that authorize the inclusion has not been requested to the Audit Company when the repots to the Supervisory Authority have been sent.
As mentioned in the Directors' Management Report, the profit of the year has been entirely destined to Reserve.

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 with regard to risk's level specific to each of them.

At the reporting date, the risks weighing the weighted 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.

From the Prudential Supervisory Report dated 31 March 2017 the company has recognized, in line with its Parent Company, Cerved Rating Agency S.p.A. as its external credit assessment agency (ECAI) to determine the weight of credit risk in the standardized method with respect to the "companies and other subjects" portfolio.
The valuations of this agency are required for resident listed companies with a turnover equal to or greater than 50 million euros or with an exposure equal to or higher than 1,5 million euros.

Starting from the fourth quarter of 2017, Factorit has identified in Scope Rating AG the ECAI to be used for the determination of risk weighted assets with respect to exposures to Central Administrations, Territorial Bodies, Non-profit Institutions, Public Sector Institutions and Supervisory Intermediaries, and proceeded in due time to update the changes in ratings related to the States.
Factorit, in accordance with the provisions of the law, has notified the change of the ECAI of reference to the Supervisory Authority.

With reference to credit risk, the individual coefficient is equal to 6%.

With respect to operational risk, Factorit uses the basic method: accordingly, it calculates its requirement using a regulatory ratio of 15% applied to a business operating volume indicator identified as thee year average of total net fee and commission income and other operating income.

4.2.2.2 Quantitative disclosure

Captions/Values	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
A. EXPOSURES				
A.1 Credit and counterparty risk	3.871.320.899	3.940.385.174	1.956.574.506	1.921.519.649
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			117.394.470	115.417.648
B.2 Requirement for the provision of payment services				
B.3 Requirement for issuing electronic money				
B.4 Specific prudential requirements			6.701.531	6.794.210
B.5 Total prudential requirements			124.096.001	122.211.858
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			2.068.267.352	2.034.779.135
C.2 CET1 / Risk weighted assets (CET 1 Capital ratio)			11.365%	11,565%
C.3 Total Own Funds/Risk weighted assets (Total capital ratio)			11,365%	11,565%

The weighted amount for credit and counterparty risk benefits, for approximately Euro 178 million, from the use of financial guarantees issued by the Parent Company with respect to four groups.

The risk-weighted assets, shown in caption C.1, and used to calculate the ratios in captions C.2 and C.3, are calculated as the Total prudential requirements (caption B.8) multiplied by 16,67 (reversal of the minimum mandatory ratio of 6%).

Section 5 *Statement of comprenhensive income*

Captions	31/12/2019	31/12/2018
10 Profit for the year	**5.160.891**	**7.853.504**
Other comprehensive income that will not be reclassified to profit or loss		
20 Equity instruments measured at fair value through OCI:		
a) fair value differences	-	43.274
b) trasfers to other equity components		
70. Defined benefit plans	(129.772)	61.099
100 Income taxes related to other comprehensive income without reversal to income statement	35.687	-28.702
190 Total other comprehensive income	**(94.085)**	**75.671**
200 Comprehensive income (captions 10+190)	**5.066.806**	**7.929.175**

Section 6 *Related party transactions*

6.1 Information about managers with strategic responsabilities remuneration

Managers: remuneration Euro 506.634 of which salaries equal to Euro 367.566, bonus and other incentives equal to Euro 44.230, non-monetary benefits for Euro 41.638 and fees for the position of managing director for Euro 53.200.

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

See caption 110.a of the income statement.

6.3 Related party transaction disclosure

6.3.1. Transactions with Banco BPM Group

Statement of financial position

Company	Loan assets	Financial liabilities	Other assets	Other liabilities
Banco BPM S.p.A.	6.690.151	278.851.649	397.164	457.560

Income statement

Company	Interest income	Interessi expenses	Interest expense on active syndacate	Factoring commissions	Other fee and commission expense	Other expense
Banco BPM S.p.A.	456	1.406.090	613.374	153.800	101.400	12.800

6.3.2. Transactions with the Parent Company and associates

Loans and receivables with banks

Banca Popolare di Sondrio S.C.p.A.	Amount
Ordinary current accounts – Euro	277.974
Ordinary current accounts – Foreign currency	19.368
Tax consolidation receivables	1.767.026
Property and equipment – Rights of use under leasing	1.481.264
Total	**3.545.632**

Due to banks

Banca Popolare di Sondrio S.C.p.A.	Amount
Ordinary current accounts	193.056.905
Hot money	1.400.000.000
Hot money accruals	625
Advances – foreign currency	6.224.998
Prepayments – foreign currency	355
Commissions to be paid	1.154.044
Supplier invoices	328
Tax consolidation debts	1.006.772
Lease liabilities	1.490.122
Total	**1.602.934.149**

Loans and receivables with customers

Sinergia Seconda S.r.l.	Amount
Property and equipment – Rights of use under leasing	5.689.595
Total	**5.689.595**

Liabilities with customers

Sinergia Seconda S.r.l.	Amount
Lease liabilities	5.676.228
Total	**5.676.228**

Costs – banks

Banca Popolare di Sondrio S.C.p.A.	Amount
Interest expense	571.045
Interest expense lease liabilities	14.638
Depreciation rights of use under leasing	231.273
Fee and commission expense – expense	72.794
Fee and commission expense - factoring	1.154.044
Fee and commission expense – financial guarantees	336.396
Lease expense	8.187
Service contracts	90.000
Directors' fees	36.000
Seconded personnel	-
Total	**2.514.377**

Revenue – banks

Banca Popolare di Sondrio S.C.p.A.	Amount
Interest income – ordinary current accounts	1.014
Seconded personnel	55.639
Total	**56.653**

Costs – customers

Sinergia Seconda S.r.l.	Amount
Lease expense	6.081
Interest expense lease liabilities	45.291
Depreciation rights of use under leasing	1.157.205
Total	**1.208.577**

Costs – customers

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

Section 7 *Leasing (Lessee)*

QUALITATIVE DISCLOSURE

In the part A– Accounting policies – Other Aspect of this document a detailed information about the new IFRS 16 accounting standard is provided.
Basing on the new accounting standard, under the Parent Company coordination, the Company carried out the analysis of contracts that fall into the application parameter, grouping them into three several categories:

a) properties, the most relevant category;
b) cars;
c) other types, which include IT equipment rental contracts and parking with marginal incidence.

The rights deriving from license's agreements are not included in the application perimeter of IFRS 16, but they continue to be accounted pursuant to IAS 38 – Intangible Assets.
Mostly, the lease liabilities are related to property destined to the main office of the Company or to its branches (contracts stipulated with the Parent Company or the Group Companies) and they usually have a maturity over 48 months with renewal option. The rent update takes place annually, starting from the second year of leasing to the extent of f 75% or 100% of the consumer price index change for the families of workers and employees (FOI).
The leasing contracts related to cars typically have a three years maturity without renewal and/or purchase option.
As mentioned in the Financial Statements - Part A, the Company uses the exemptions allowed by IFRS 16 for short-term leases and leases of assets of modest value, the costs of which amounted to euro 2.640 during 2019, excluding costs relating to leases with a maturity equal to or less than a month.

QUANTITATIVE INFORMATION

The information about rights of use under lease liabilities and lease liabilities are provided in the Notes to the Financial Statements – Part B, respectively in Table 8.1 – 8.6 Part B, Assets and Table 1.1 Part B, Liabilities. In particular, the rights of use under the lease liabilities amount to Euro 7.4 million while the lease liabilities to euro 7.5 million.

In the Part C of the Notes to the Financial Statements, the interest expense of lease liabilities is reported. Please refer to this section for more details.
According to IFRS 16, paragraph 53, the following information is provided:

Book value of the assets consisting in the right of use at the reporting date and the depreciation expense related to the assets consisting in the right of use for the underlying asset class.

Depreciation expense related to the assets consisting in the right of use for the underlying asset class.

Assets/Values	Right of use value FTA 01.01.2019	Depreciation	Other changes	Carrying Amount at 31.12.2019
Properties	8.730.427	(1.425.721)	40.797	7.345.503
Cars	96.857	(50.174)	22.582	69.265
Other types	8.827.284	(1.475.895)	63.379	7.414.768

Section 8 *Other disclosures*

In accordance with the disclosure requirement of article 2497-bis of the Italian Civil Code, key figures from the most recently approved financial statements of the bank that manages and coordinates the company are provided below.
The following tables show the balance sheet and the income statement data for the comparison period, referred to 31.12.2017. They have been re stated using the Financial Statement's scheme provided by the fifth update of Bank of Italy Communication nr. 262/2005, with no changes with the values calculated through the accounting standards in force at that date.
Therefore, both the balance sheet and income statement data as at 31 December 2017, which do not include the effects deriving from the application of IFRS 9 accounting standard, are not comparable on a homogeneous basis with those of the comparison periods.

STATEMENT OF FINANCIAL POSITION
(euro)

IFRS 9	IAS 39	Assets	31/12/2018	31/12/2017
10.	10.	Cash and cash equivalents	969.358.505	112.049.023
20.		Financial assets at fair value through profit or loss	902.816.282	
20 a)	20.	Financial assets held for trading	263.767.542	327.458.084
20 c)		Other Financial assets measured at fair value	639.048.740	
	20.	Financial assets held for trading		24.104.531
	30.	Financial assets at fair value		351.053.774
	40.	Available-for-sale financial assets		40.599.496
	50.	Held-to-maturity investments		6.005.196
	70.	b) Crediti verso clientela		132.532.389
30.		Financial assets at fair value through OCI	4.423.027.149	
	20.	Financial assets held for trading		256.357.703
	40.	Available-for-sale financial assets		6.630.084.374
40.		Financial assets at amortised cost	29.409.225.554	
40 a)	60.	a) Loans and Receivables with banks	2.217.280.673	2.815.465.621
	50.	Held-to-maturity investments		6.855.926
40 b)	70.	b) Loans and Receivables with customers	27.191.944.881	21.686.496.069
	40.	Available-for-sale financial assets		116.824.176
	50.	Held-to-maturity investments		4.119.710.562
70.	100.	Equity investments	562.154.499	506.727.965
80.	110.	Property and equipment	186.740.161	184.145.045
90.	120.	Intangible assets	14.762.412	14.396.056
100.	130.	Tax assets	414.827.084	385.613.399
100 a)	130 a)	Current	26.977.883	41.717.531
100 b)	130 b)	Deferred	387.849.201	343.895.868
120.	150.	Other assets	283.741.717	305.819.797
		Total assets	**37.166.653.363**	**38.022.299.186**

IFRS 9	IAS 39	Liabilities and equity	31/12/2018	31/12/2017
10.		Financial liabilities measured at amortised cost	33.770.793.630	
10 a)	10.	Due to banks	5.480.393.123	5.635.658.170
10 b)	20.	Due to customers	25.877.854.869	26.244.477.812
10 c)	30.	Securities issued	2.412.545.638	2.784.807.929
20.	40.	Financial liabilities held for trading	42.532.267	51.079.682
60.	80.	Tax liabilities	15.058.256	27.779.910
60 b)	80 b)	deferred	15.058.256	27.779.910
80.	100.	Other liabilities	710.725.874	599.522.297
90.	110.	Post-employment benefits	40.637.713	42.848.291
100.		Provisions for risks and charges	220.085.911	
100 a)		commitments and gurantees given	45.018.292	
	100.	Other liabilities		29.699.468
	120.	Provisions for risks and charges		179.477.008
100 b)	120 a)	pension and similar provisions	139.028.680	141.658.773
100 c)	120 b)	Other Provisions for risks and charges	36.038.939	37.818.235
110.	130.	Valuation reserve	(16.195.773)	38.642.710
140.	160.	Reserves	885.551.458	856.064.897
150.	170.	Share premium	79.005.128	79.005.128
160.	180.	Share capital	1.360.157.331	1.360.157.331
170.	190.	Treasury shares (-)	(25.321.549)	(25.321.549)
180.	200.	Profit for the year	83.623.117	118.400.102
		Total Liabilities and Equity	**37.166.653.363**	**38.022.299.186**

INCOME STATEMENT
(euro)

IFRS 9	IAS 39		31/12/2018	31/12/2017
10.	10.	Interests and similar income	534.125.726	547.390.208
		of which: interest income calculated using the effective interest method	528.340.168	543.315.563
20.	20.	Interests and similar expense	(96.813.061)	(121.713.804)
30.	**30.**	**Net interest income**	**437.312.665**	**425.676.404**
40.	40.	Fee and commission income	291.056.086	277.187.608
50.	50.	Fee and commission expense	(15.223.850)	(14.453.872)
60.	**60.**	**Net fee and commission income**	**275.832.236**	**262.733.736**
70.	70.	Dividends and similar income	45.365.465	18.623.815
80.	80.	Net trading income	2.430.035	37.930.083
100.	100.	Net gain from sales or repurchases of:	5.486.518	95.243.843
		a) Financial assets at amortised cost	2.2122.269	
		a) Loans and Receivables		(102)
		a) Financial assets at fair value through OCI	3.381.111	
		b) Available for sale financial assets		94.795.083
		c) Financial liabilities	(16.862)	
		d) Financial liabilities		448.862
110.	110.	Net gain on financial assets and liabilities at fair value through profit or loss	(12.097.686)	4.247.438
		a) Fair value financial assets and liabilities	-	4.247.438
		b) Other financial assets required to be measured at fair value	(12.097.686)	-
120.	**120.**	**Total income**	**754.329.233**	**844.455.319**
130.	130.	Net impairment losses for credit risk on:	(22.795.628)	(267.784.980)
		a) Financial assets measured at amortised cost	(226.766.003)	(231.983.535)
		b) Financial assets measured at fair value through OCI	3.970.375	(35.801.445)
140.		Profit/losses from contractual changes without derecognition	(2.838.879)	
150.	**140.**	**Net result of financial management**	**528.694.726**	**576.670.339**
160.	150.	Administrative expenses:	(438.884.829)	(438.614.938)
		a) Personnel expenses	(184.445.102)	(189.379.026)
		b) Other administrative expenses	(254.439.727)	(249.235.912)
170.	160.	Net accruals to provisions for risks and charges	(8.964.783)	(2.217.925)
		a) Commitments and guarantees given	(10.811.263)	(7.164.234)
		b) Other net accruals	1.846.480	4.946.309
180.	170.	Depreciation and net impairment losses on property and equipment	(13.982.158)	(14.362.189)
190.	180.	Amortisation and net impairment losses on intangible assets	(14.680.285)	(14.118.928)
200.	190.	Other operating income, net	56.159.483	68.152.303
210.	**200.**	**OPERATING COSTS**	**(420.352.572)**	**(401.161.677)**
220.	210.	Net gain on investments	402.849	(622.325)
250.	240.	Net gain on the sale of investments	21.212	12.354
260.	**250.**	**PRE-TAX PROFIT FROM CONTINUING OPERATIONS**	**108.766.215**	**174.898.691**
270.	260.	Income taxes	(25.143.098)	(56.498.589)
280.	**270.**	**POST-TAX PROFIT FROM CONTINUING OPERATIONS**	**83.623.117**	**118.400.102**
300.	**290.**	**PROFIT (LOSS) FOR THE YEAR**	**83.623.117**	**118.400.102**

Pursuant to article 149-duedecies of Consob's Issuers Regulation, the table containing the fees for the year is attached, for the services provided by the following subjects:

- from the audit company.

Type of service	Service provider	Fees
Audit	EY S.p.A.	35.500
Reporting package Banca Pop. di Sondrio	EY S.p.A.	5.060
Reporting package Banco BPM	EY S.p.A.	4.018
Other services	EY ADVISORY S.p.A.	39.600

(Euro)

The above amounts do not include IVA tax and 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 standard of administration, we note that during fiscal year 2019, 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. 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.

Furthermore, we note that the Board of Auditors participated to eight meetings of the Board of Directors held during the year. We can attest that all meetings of the Board of Directors, as well as the said Shareholders' Meetings, were called and held in compliance with the applicable laws. We also note that the Board of Auditors met twelve times during fiscal 2019.

In terms of our activity of supervising the adequacy of the organizational structure, we focused on the 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. Such activity refers in particular to the risks arising from the company's business and to the effectiveness of the IT systems on the financial reporting. In this regard, we put great attention to the activities carried out by the Company in order to comply with the new regulation in the field of risk controls and to the corresponding amendments done to the overall structure of internal controls in coherence with such regulation and with the guidelines issued by the Parent Company.

We have noted that there were no atypical or unusual transactions with the Group companies, third parties, or related parties. The Board of Directors' report and the explanatory note to the financial statements provide an exhaustive 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 have 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 Legislative Decree 231/2001. This activity did not reveal situations or conducts creating non-compliance 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 EY S.p.A (ex. Art. 2409 bis c.c.).

We discussed with EY S.p.A. the outcomes of the audit which 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 definition and development of the financial statements as regard to its compliance to the relevant accounting standards (keeping particular attention to the going concern assumption) and to the related predisposition process. In doing so, we paid particular attention, in addition to the applicability of the going concern assumption, to the correct application of the international accounting standard IFRS 16, as well as to the related clarification of the non-comparability of the balances resulting from the 2019 financial statements with those of the 2018 financial statements.

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 compliance to 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 Director's report, we note that the accounting auditing firm carried out the procedures indicated by the audit principle n. 720B (SA Italia) thus confirming that the Directors' report is consistent with Factorit S.p.A. financial statements as at December 31, 2019 and it complies with the applicable provisions of law. In this regard, the accounting auditing firm confirmed that with reference to the statement of which art.14, c. 2 lett. e) of Legislative decree 39/2010, no matters should be reported.

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 EY S.p.A. contains no irregularities regarding the financial statements, nor any requests for information regarding what the Directors have analytically explained in the Directors' 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 the fiscal year 2019 and for the Directors' proposal for allocating net profit.

Milan, March 19, 2020

THE BOARD OF AUDITORS

Dott. Luca Zoani

Dott. Daniele Morelli

Dott. Luigi Gianola

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 and 19-bis of Legislative Decree n. 39, dated 27 January 2010

(Translation from the original Italian text)

To the Shareholders of
Factorit S.p.A.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Factorit S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2019 and the statement of income, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing Article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing Article 43 of Legislative Decree n. 136, dated August 18, 2015 within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption and, for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("*Collegio Sindacale*") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of the internal controls relevant to the audit 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 control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Other Legal and Regulatory Requirements

Opinion pursuant to Article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The directors of Factorit S.p.A. are responsible for the preparation of the Report on operations as at December 31, 2019, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations with the financial statements of Factorit S.p.A. as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Factorit S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by Article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, March 19, 2020

EY S.p.A.
Davide Lisi

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

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