Factorit

GRUPPO Banca Popolare di Sondrio

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

GRUPPO Banca Popolare di Sondrio

Directors' report and Financial statements as at and for the year ended 31 december 2020

Factorit
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Factorit S.p.A.

Registered office, General Management and Head Office
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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

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	Luigi Gianola
Auditors	Daniele Morelli
Alternate Statutory	Massimo De Buglio
Auditors	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
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Tel. 02 581501 – Fax 02 58150205

Torino
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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

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

DIRECTORS'S REPORT

Dear Shareholders, the 2020 financial statements, the forty-second year of operations of your Company, recorded a profit of 7.965.626 Euro.

In a year deeply marked by the Covid-19 pandemic, consistently with the objectives set and with the approved development plan, your Company has tried to seize, during the 2020 financial year, the opportunities that the factoring market has nevertheless offered , maintaining a constant and rigorous credit policy as well as socially responsible behavior, favoring the support of its customers, also with extraordinary instruments in addition to those of the government which are necessary for the protection of the economy.

The absence of marked sectoral concentrations in the customer portfolio has allowed your Company to resist the overall decline in work flows, with the exception of some product sectors whose volumes have been strongly affected by the pandemic crisis, in relation to the long period of inactivity production, the reduction of consumption and the stringent health and behavioral rules

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

Before illustrating the activities carried out during the year and the financial and economic performance report of the Company as at 31 December 2020, we consider it appropriate to briefly review, as usual, the evolution of the economic scenario and the trend 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

Pandemic and the international economic cycle have moved throughout 2020 on opposite registers: if the former grew, the latter fell; as soon as the first slowed down, the second recovered.

In fact, Covid-19 has brought economies around the globe to their knees and if you really want to find an element of optimism in the general collapse, it must be traced to the ability of many production systems to quickly raise their heads as soon as the virus has granted moments of respite. An important sign of vitality, an unexpected attitude to recovery that bodes well for the future, when, as soon as possible, the pandemic will be brought under control.

Let's start from this element of optimism to underline that after the steep fall of the world economy in the spring months, the summer period instead saw a decisive recovery of the economic situation in many countries, even if the service sector remained heavily penalized almost everywhere. The data referring to some of the main advanced economies clearly illustrate this trend: The

United States and Japan respectively recorded decreases of 31.4% and 29.2% in the second quarter of the year, and then recovered 33.1% and 22.9% in the following three months. The trend recorded in China and India was significantly different. The Asian giant recorded slow but still significant growth in the second quarter, equal to 3.2%, before rising to 4.9% in the following three months. India, on the other hand, recorded -23.9% as at 30 June and still a decrease, albeit more contained, -7.5%, as at 30 September.

Unfortunately, a new terrible pandemic wave has re-proposed in the autumn period a situation of serious difficulty, also in correlation to the inevitable restrictions introduced to safeguard public health.

All of this has had a heavy impact on world trade, which, after a robust recovery in the summer months, suffered further slowdowns, ending the year with a decline of around 9%.

Inflation also suffered the effects of the severe recession, with the price dynamic oriented downwards due to the weakness of aggregate demand.

The stock markets benefited from the expansive monetary policy at a global level, recording strongly positive results at the end of the year in some cases - in particular the United States and Japan. The most penalized were the European markets. Monetary policy has been flanked by important public support programs, which seem to have put in play adequate resources to give new impetus to support the productive world and, hopefully, also to redirect economic systems according to criteria of innovation and environmental sustainability.

The euro area, which in the meantime has, albeit with difficulty, brought Brexit to an end, avoiding at the last minute an exit of the United Kingdom without an agreement, has basically followed the dynamics described above. As the pandemic has spread, the various measures taken to contain it have severely impacted the economy. After the positive summer break, the autumn recovery of the virus has again penalized the economic situation. The data of the main countries in the area give evidence of what has been said: in the second quarter of the year the decline in GDP fluctuated between -17.9% in Spain and -9.8% in Germany; in the third quarter, the best of all was France, + 18.7%, with Germany closing the line at + 8.5%. By the end of the year, in the euro area, an overall decline in GDP of around 7% is estimated.

While inflation was positioned at around zero at the end of 2020, the European Central Bank constantly worked during the year to guarantee financing conditions favorable to the production system, support bank credit for businesses and households, and mitigate the impact of the fallout. of the pandemic on the economy and inflation.

For its part, the European Union has prepared the Recovery Fund, or Next Generation EU, through which, through funding on the financial markets, 750 billion will be put in place, partly through grants and partly through loans. , to support the recovery of the euro area economy according to some fundamental development guidelines linked to: environmental sustainability, research and innovation, productivity, equity and macroeconomic stability. Three other important intervention tools should not be forgotten: the European Stability

Mechanism (ESM), the EIB emergency fund and the ”Sure” anti-unemployment plan.

The Swiss economy has also inevitably suffered the strong repercussions caused by the pandemic, so much so that in the middle of the year, GDP fell by 8.6%. However, the significant weight that the pharmaceutical industry plays within the Swiss production structure has undoubtedly contributed to reducing the damage. Particularly affected, as in the rest of the world, tourism, catering and transport. In the third quarter of the year there was a significant recovery, around 7%, which was followed, however, by new difficulties in the autumn period. By the end of 2020, a decline in GDP of the order of 3% is estimated. In the aforementioned difficult economic situation, the Swiss National Bank continued its expansionary monetary policy, with the key rate confirmed at -0.75%.

ITALIAN SITUATION

In our country too, the coronavirus has constituted, as well as a human tragedy, an unprecedented economic crisis in the post-war period.

2020 reported a recession close to nine percent, a figure obtained by integrating the impact of the second wave of infections, and consequent restrictions, on the V profile which, thanks to the strong summer recovery, had characterized the first three quarters.

Remaining with the official data updated to the first nine months, the loss of output, equal to 9.6%, is mainly attributable to domestic demand, in particular to private consumption (-10.5%) and investments (-9.8%), while the foreign channel, while showing a significant contraction, stronger for exports (-16.4%) than for imports (-14.2%), in any case allowed to accumulate a trade surplus equal to 42 billion.

The unemployment rate, which began the year at values around 10%, paradoxically showed a significant reabsorption in correspondence with the lockdowns, reaching a minimum of 6.4% in April. This phenomenon can be traced back to a sharp decline in the number of job seekers. The year-end figure was 9.1%.

It is the international trend in energy prices that has driven the return of deflation: if, in fact, in the first two months, our harmonized index to consumption, although marginally positive, was one point below the euro area average, in the last two, it has reached a perfect alignment on the common value of -0.3%.

The development of an economic policy aimed on the one hand to cope with the urgencies of the pandemic, on the other hand to plan a future of recovery and sustainability, a greener and more digital economy, is also fully inserted in the European context.

In the year under review there was inevitably a marked deterioration in public finance balances: according to the estimates of the Update to the DEF, the debt would have jumped to 158% of GDP, the deficit to 10.8%.

At the moment, it benefits the fact that the transnational dimension of the crisis and its response, as well as the monetary accommodation exercised by the European Central Bank, have mitigated the impacts on the spread: from the peak in March, well over 250 basis points, it closed around 110, a value less than not only the 160 at the end of 2019 but also the level, just above 130, which it had already dropped at the time of the first infection in Codogno.

FACTORING, THE DOMESTIC MARKET

During the year 2020, the factoring market was significantly affected by the effect caused by the COVID-19 pandemic still underway; the overall total for the year, equal to 228 billion euros, is down by 10,8% compared to the previous year.

Consequently, receivables outstanding at 31 December 2020 (Outstanding) also compressed by 6,1%.

The advances and fees component, on the other hand, decreased by 7,7% compared to the previous year.

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

	2017	2018	2019	2020
Turnover	221.597.438	240.038.627	255.506.338	227.829.051
Outstanding	62.343.204	67.688.862	66.261.108	62.233.640
Advances	50.400.409	54.698.096	54.534.058	50.340.478
Advances/Outstanding	*80,8%*	*80,8%*	*82,30%*	*80,9%*

(amounts in thousands euros)

Based on the information provided by Assifact at December 31st, 2020, 51,5% of the factoring companies in Italy consisted of financial intermediaries pursuant to art. 106 "albo unico" (generating 59,7% of turnover), banks account for 33,3% of operators (34,3% of turnover) and the other intermediaries are 15,2% (6,0 % of turnover).

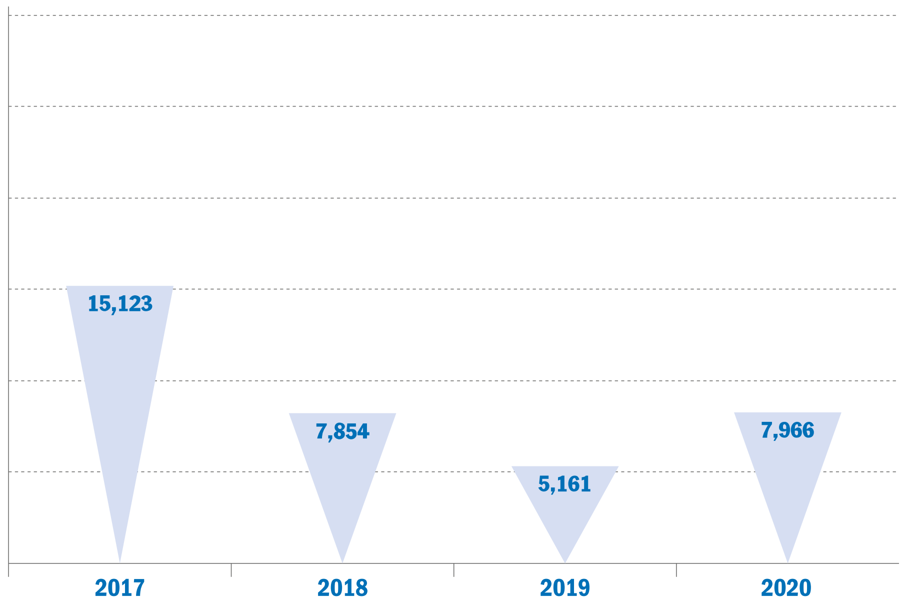
The volume of loans and receivables of the leading 5 operators (all belonging to banking groups), among which there is also Factorit (at the 4th position with a share of 5,2%), is equal to 69,10% of the market's total turnover.

COMPANY PERFORMANCE

Results

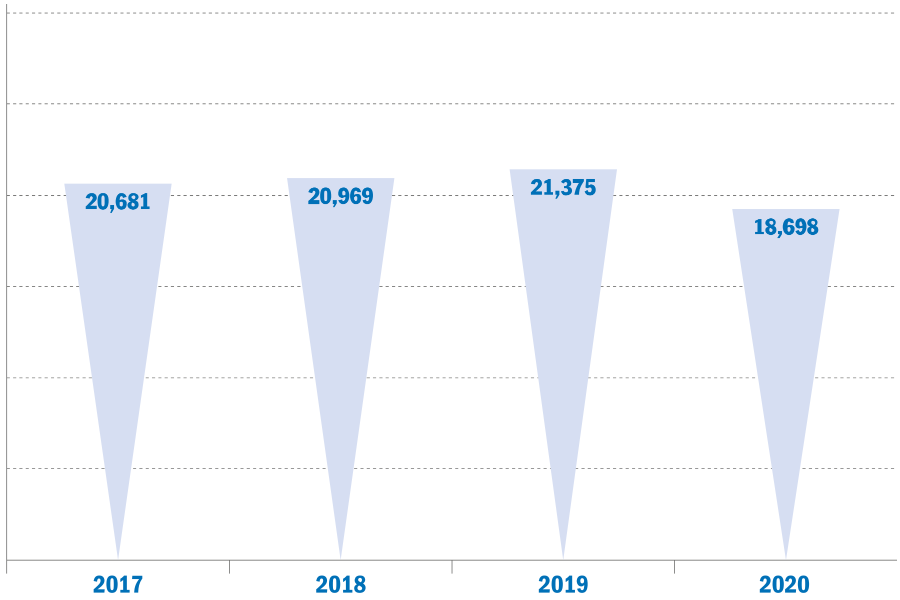
The Company ended the year with a net profit of 7,9 million Euros, after allocating gross value adjustments for credit risk on financial assets, measured at amortized cost, for 11.8 million Euros. The reversals amount to 6,8 million euros. Therefore, the item Net impairment losses for credit risk shows a balance of 5 million euros.

Graph 1. Net profit trend (thousand euros)



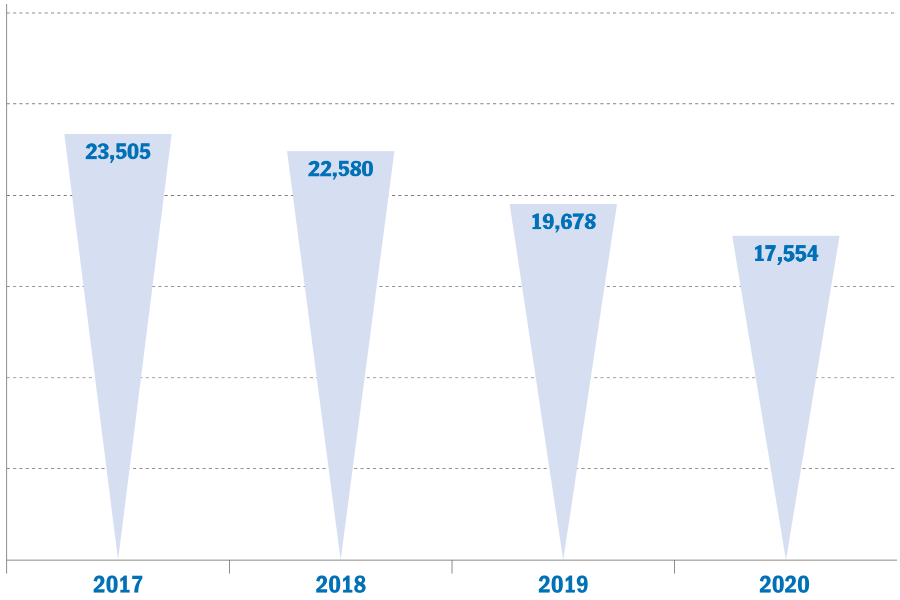
The activity generated a Total Income of 36,2 million euros, of which 17,6 million deriving from financial income and 18,6 million from commissions, recording a decrease of approximately 11,8% .

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



The trend in commissions, closely related to turnover, recorded a sharp reduction (12,5%) due to the COVID-19 pandemic still present worldwide, which led to a significant contraction of GDP and turnover of client companies.

Graph 3. Net interest income trend (thousand euros)



The interest margin recorded a decline (10,8%) compared to the previous year, attributable to the constant reduction in market rates, albeit in a context that saw the overall resilience of loans.

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

	2019	2020
Net fee and commission income	21.375	18.698
Net interest income	19.678	17.554
Net trading income	-5	-58
Total income	**41.048**	**36.194**
Total net costs of risk	**-13.307**	**-5.132**
Total net operating expenses	**-20.100**	**-19.486**
Operating	**7.641**	**11.576**

(thousand euros)

	2019	2020
Cost/Income	49,0%	53,8%
Roe	2,2%	3,3%
Net interest income/Total income	47,9%	48,5%
Revenue from services/Total income	52,1%	51,7%
Net impairment losses on receivables/gross receivables	0,420%	0,192%

The net cost of risk includes the caption 130 “Net impairment losses for credit risk” for -5.032 thousand euros and the caption 170 ‘’Net accruals to provisions for risks and charges” for -100 thousand euros.

Total net operating costs includes captions 160 “Administrative expenses” for -18.957 thousand euros, 180 and 190 “Depreciation and net impairment losses on property and equipment and intangible assets” for -1.779 thousand euros the caption 200 “Other operating income, net” for 1.250 thousand euros.

Key events of the year

During its meetings in the year 2020, 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 bad loans, unlikely to pay, and past due loans) and the consistency provisions made against them, as well as loans impairment. The Board of Directors has also examined the documentation relating to the composition of the existing portfolio, 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.

Furthermore, it is specified that among the various provisions, the following was resolved:

- the Board of Directors of **29th January 2020** identified the most relevant personnel and resolved on the determination of the motivational system in favor of corporate resources, in compliance with the ''Group remuneration policy'', in compliance with the ''Provisions on remuneration and incentive policies and practices in banks and banking groups'';
- the Board of Directors of **9th March 2020**, in full national health emergency, determined by the sudden spread of Covid-19, took note of all the prevention measures adopted by the Company; in addition, it approved the financial statements draft for the year ended 31st December 2019; it convened the Ordinary Shareholders' Meeting; it approved the 2020 Budget; it approved the updating of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 and the company Code of Ethics;
- on **29th April 2020** the Board of Directors approved the financial statements at 31.03.2020;
- on **15st June 2020**, the Board of Directors, in compliance with the press release from the Bank of Italy which, due to the state of health emergency (Covid-19), provided for the suspension of the term of the administrative procedures under its responsibility verified the existence of the requisites of company representatives pursuant to Ministerial Decree no. 161 of 18.03.1998 and ascertaining the provisions of art. 36 Law 214/2011 with regard to the prohibition of interlocking; in addition, it resolved on the determination of the variable part of the remuneration of key personnel;
- on **3th August 2020**, the Board of Directors approved the changes made to the corporate organizational structure, moreover, it approved the new appointments of the members of the Supervisory Body, established pursuant to Legislative Decree 231/2001 and approved the situation income statement and balance sheet as at 30.06.2020;
- on **30th October 2020** the Board of Directors approved the financial position at 30.09.2020 and 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.

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 ((in staff and online), with the aim of achieving improvements in terms of efficiency and risk mitigation. During the year 2020, 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 11.899 million euros, down 11,6% compared to 2019 (13.465 million).

Financings assigned as without recourse, that means with a guarantee on the successful completion of payments, were equal to 61,4% of the total turnover, while those transferred without recourse were 38,6%.

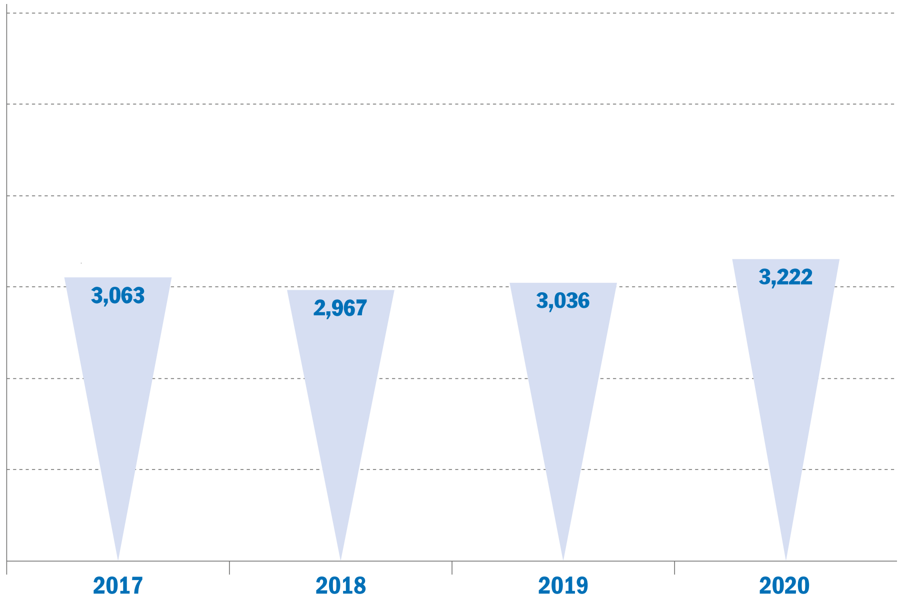
There were 1.420 active customers at December 31, 2020, a reduction of 2,9% compared to December 31, 2019.

Table 3. Operating figures

	2019	2020	Variation
Turnover	**13.465.098**	**11.899.778**	**-11,6%**
of which without recourse	8.699.710	7.304.676	-16,0%
of which with recourse	4.765.388	4.595.102	-3,6%
Net fee and commission income (%)	**0,16**	**0,16**	**-**
Advances (stock) at 31/12	**2.355.737**	**2.618.506**	**11,2%**
Outstanding	**3.036.130**	**3.221.980**	**6,1%**
of which without recourse	2.015.200	2.090.200	3,7%
of which with recourse	1.020.930	1.131.780	10,9%
No. of dossiers processed	**1.498.065**	**1.113.307**	**-25,7%**

(thousand euros)

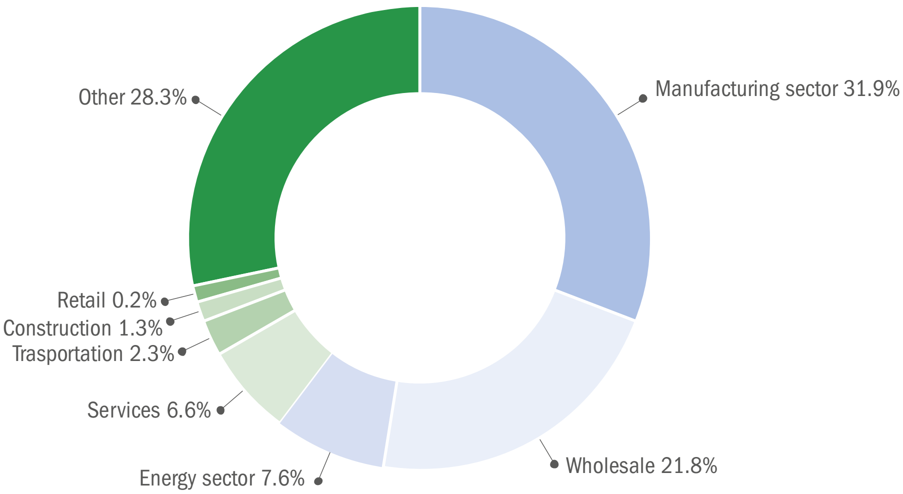
Graph 4. Trend of outstanding loans and receivables balance (thousand euros)



The increase in the average days of rotation of loans and receivables (98 days vs 82 in 2019) mainly attributable to the extensions granted to debtors, in agreement with the assigning customers, in order to support the companies affected by the COVID-19 pandemic, constantly monitored by the management structure.

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 (31,9%), followed by Wholesale trade (21,8%), the Energy Sector (7,6%), Services (6,6%), Transportation (2,3%), Construction (1,3%) and Retail (0,2%). The ''Other'' class covers the remaining 28,3%.

Graph 5. Breakdown of turnover by merchant sector of originator



The turnover breakdown by product mainly consists of traditional factoring with notice (34,1%) 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 17,7% of the total, while the residual component relating to products of guarantee only without notice with 1,4%.

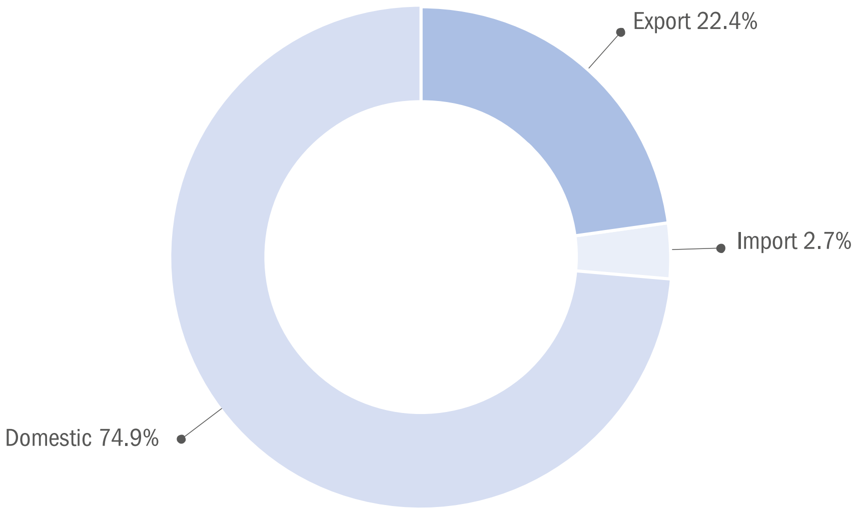
Table 4. Product segmentation (percentage of total)

	2018	2019	2020
Traditional factoring	43,3%	33,7%	34,1%
Financing products without notice	40,4%	46,8%	46,8%
Maturity factoring	14,5%	17,2%	17,7%
Guarantee only without notice	1,8%	2,3%	1,4%
Total	**100,0%**	**100,0%**	**100,0%**

(%)

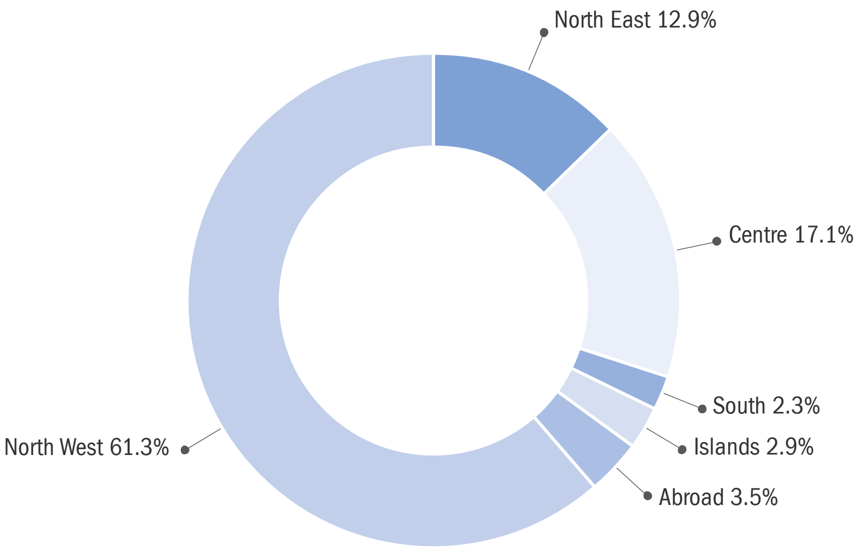
Domestic transactions made-up 74,9% (73,6% in 2019) of total loans and receivables factored for 8.914 million euros of turnover. Export factoring accounted for 22,4% (22,9% in 2019) for 2.662 million euros and the import factoring for 2,7% (3,5% in 2019) for 323 million euros.

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 Piemonte (the first region in terms of turnover) represents the 31,9% of total. Lombardia (26,4%) and Lazio (13,5%) are among the most significant regions in order of volumes. Turnover contributed by customers based abroad made up 3,5%.

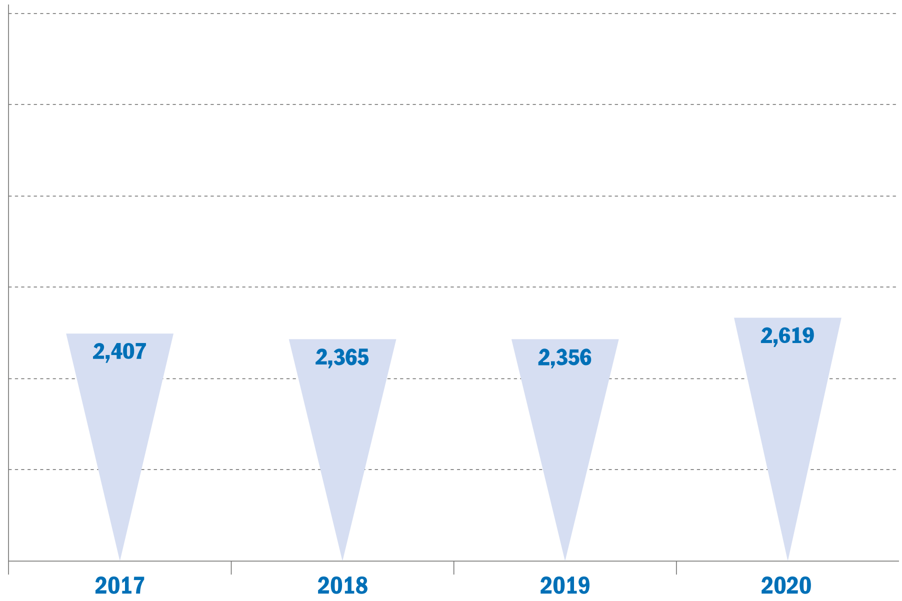
Graph 7. Breakdown of customers by macro-geographical areas



(percentages calculated considering the customers' registered office)

As at 31st December 2020, advances amounted to 2.619 million euros, equal to 81,3% of the outstanding loans and receivables.

Graph 8. Advances (million euros)



Distribution channels

Assignment by customers referred by shareholders banks amounted is equal to 4.615,9 million euros (that reached € 4.853,3 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 38,8%, a decrease of 10,6% compared to the previous year, that are affected by the reduction in turnover due to the COVID-19 pandemic.

Customers from the direct channel carried out assignments for 6.723,6 million, with an incidence of 56,5% on the total that, even if 10,5% 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 323,0 million euros, with an incidence approximately 2,7% on total loans sold.

Table 5. Breakdown of turnover by distribution channel

	2019	Weight	2020	Weight	Variation
Banca Popolare di Sondrio	*3.609.032*	*26,8%*	*3.328.412*	*28,0%*	*-7,8%*
Banco BPM	*1.555.739*	*11,6%*	*1.287.477*	*10,8%*	*-17,2%*
Total Shareholder banks	*5.164.771*	*38,4%*	*4.615.888*	*38,8%*	*-10,6%*
Total BANKS	**5.476.376**	**40,7%**	**4.853.270**	**40,8%**	**-11,4%**
Total IMPORT	**476.965**	**3,5%**	**322.993**	**2,7%**	**-32,3%**
Total DIRETTO	**7.511.757**	**55,8%**	**6.723.515**	**56,5%**	**-10,5%**
Total	**13.465.098**	**100,0%**	**11.899.778**	**100,0%**	**-11,6%**

(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 certain internal regulatory devices, because impacted by organizational changes occurred during the year or by the evolution of the heteroregulatory legislation (laws and regulations) 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.

The implementation of the regulations issued by Banca Popolare di Sondrio, of interest to the Group, continued during the year.

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.

With the spread of the Covid-19 pandemic, the slowdown and suspension of business activity, which followed in many sectors, have produced serious damage to the real economy.

In support of companies in an emergency situation, the Government has adopted measures that have provided for the direct involvement of the credit and financial system, including the Legislative Decree. March 17, 2020, n. 18 (so-called ''Decreto Cura Italia'').

Art. 56, co. 2, letters a) and b), introduced an extraordinary moratorium on the credit obligations of SMEs and micro enterprises, which suspended, until 30 June 2021, the revocability of current account credit lines and loans for advances.

The supervisory provisions on credit risk control envisaged the need to verify, in such cases, the existence of the requirements for classification as non-performing, or among the exposures subject to forbearance measures.

The L.D. 8 April 2020, n. 23 (so-called ''Decreto Liquidità''), as amended by art. 1, co. 206, L. 30 December 2020, n. 178, included the transactions with and without recourse in the context of the public guarantee represented by the Guarantee Fund for SMEs.

The Ministry of Economy and Finance, the Bank of Italy, the Italian Banking Association and Mediocredito Centrale (MCC) have set up a Task Force to ensure the use of liquidity support measures adopted by the Government with the Legislative Decree 18/2020.

Factorit has implemented the moratorium (regarding the measures provided for by art. 56, paragraph 2, letter a) and lett. b) of the Decree Law 17 March 2020, n. 18), also making itself available to evaluate the possibility of granting any alternative support measures to companies not falling within the scope of the ''Decreto Cura Italia''.

It should also be remembered the deferral, as of September 1, 2021, of the entry into force of Legislative Decree 14/2019 (so-called ''Code of the corporate crisis and insolvency'').

Alongside the measures of the Executive, the Bank of Italy has provided its contribution to supervised intermediaries, through specific provisions, also aimed at facilitating the performance of their activities:

- with Resolution no. 144 of 17/03/2020, the Bank of Italy has ordered the suspension, until 03/04/2020 (later extended until 11/05/2020), of all the terms of the proceedings before the Banking Arbitrator Financial (BAF), including the deadline for intermediaries to respond to customer complaints;
- on 23/03/2020 the Supervisory Authority highlighted that the ''Decreto Cura Italia'' ordered the suspension of the terms, until 04/15/2020, of administrative proceedings pending on 23/02/2020 or started after that date. With communication dated 09/04/2020, the Supervisory Authority recalled the extension of the deadline from 15/04/2020 to 15/05/2020, in accordance with the ''Decreto Liquidità'';
- also on 23/03/2020, the Supervisory Authority provided clarifications on the subject of ''Reports to the Central Credit Register'', following the entry into force of the provisions referred to in Legislative Decree 18/2020;
- on 24/03/2020 the Bank of Italy issued the ''Provisions for the storage and making available of documents, data and information for the fight against money laundering and terrorist financing'', in order to implement , in line with European legislation, article 34, paragraph 3 of the legislative decree 21 November 2007, n. 231 (''anti-money laundering decree''), as amended by legislative decree 25 May 2017, no. 90, transposing directive (EU) 2015/849 (so-called ''fourth anti-money laundering directive'') and, most recently, by legislative decree 4 October, no. 125;
- on 27/03/2020 the FIU extended the transmission of aggregate data pursuant to Legislative Decree 231/2007;
- on 03/04/2020 the Bank of Italy provided intermediaries with initial indications on the subject of customer relations (following the measures adopted to deal with the epidemiological emergency), producing on 10/04/2020 instructions for more detail, requesting intermediaries to prepare a section of their website dedicated to access to government measures, containing an area with the answers to the most frequently asked questions (FAQ), as well as the list of documentation necessary for requests;
- The Company has prepared a special section of its institutional website www.factorit.it called "Covid-19 Emergency", within which it also provided information on how to receive periodic communications; at the same time, it activated a PEC address reserved for the management

of moratorium requests submitted pursuant to the "Decreto Cura Italia" (emergenzacovid@pec.factorit.it);
- on 16/04/2020 the UIF highlighted how the health emergency has exposed the economic-financial system to multiple risks of illicit behavior (specifically with regard to the crime of money laundering), drawing the attention of intermediaries to the relationships maintained with companies operating in the health care sectors or in adjacent sectors, loans granted with guarantees by the State, both during the preliminary investigation and when the funds are used and online operations;
- on 19/06/2020 the Bank of Italy identified the criteria to be followed for reporting to the Central Credit Register of the settlement agreements ''in settlement and excerpt'' and of the guarantees provided to customers;
- on 12/08/2020 the Bank of Italy issued the new ''Provisions on out-of-court settlement systems for disputes relating to banking and financial operations and services'', bringing about alignment with the provisions of the ADR Directive (2013/11 / EU) and Legislative Decree no. 130/2015 of transposition. The Provisions, in force starting from 1 October 2020, implemented the ICRC resolution no. 275 of 29 July 2008, as amended by emergency decree of the Minister of Economy and Finance - President of the ICRC, no. 127 of 10 July 2020;
- on 14/10/2020 the Bank of Italy provided an answer to the questions on how to measure the Average Global Effective Rates deriving from the financial support measures adopted to deal with the epidemiological emergency;
- the Bank of Italy, last May, also placed in public consultation certain changes to the ''Instructions on the quarterly survey of the average effective global rates pursuant to the usury law'', most recently revised in August 2016, in order to incorporate the evolution of the regulatory framework and the operating techniques of intermediaries.

With reference to the measures implemented by the government authorities, reference should be made to the explanations in the Notes to the Financial Statements - part 1 accounting policies - section 4 "Other aspects".

Organizational structure and human resources

During the year, given the persistence of the Covid-19 emergency and the still uncertain scenarios, particular areas were not strengthened but there were targeted insertions based on the needs of some offices/services.

Table 6. Average number of employees

Fascia di età	2020							2019						
	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	7	0	0	7	0	0	0	8	0	0	8
Junior Managers	17	8	0	39	16	0	80	17	8	0	40	14	0	79
Employees	17	27	2	11	18	5	80	15	28	1	11	18	10	83
Total	34	35	2	57	34	5	167	32	36	1	59	32	10	170
Of which: part-time	*3*	*11*	*0*	*1*	*0*	*0*	*15*	*3*	*10*	*0*	*2*	*0*	*0*	*15*

During the year there were 14 terminations of the employment relationship, while 8 were hired, including 2 people with an apprenticeship contract, 2 temporary employees, 4 permanent employees. The average figure on total employees (163) does not include any weighting with reference to the 15 part-time contracts.

The punctual number of employees at December 31, 2020 was 163 units, including 95 men and 68 women.

Some of the fixed-term contracts are derived from the need to deal with projects that contributed to temporary extraordinary activity.

Despite the difficulties of the emergency situation, the usual professional updating activities for all employees continued, carried out using digital tools, with training courses that made it possible to deepen the regulatory and technical knowledge of the staff. In particular, internal training was provided on transparency and the rules of operation of the Supervisory Body in addition to the news in the area of budget analysis. Specific courses were also provided on the factoring product. The Company continued to train all new employees and collaborators in accordance with the new State-Regions directives on workplace safety.

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.

<u>Interest and Liquidity risk trend</u>

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 2020 the total exposures, gross of impairments, amounted to 2.619 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 2.540 million euros, equal to 97% of total exposures; net of adjustments these exposures amounted to 2.535 million euros;
- the on-balance exposures at Stage 2, so those which as performing exposures suffered a significant credit risk increase, amounted to 60,5 million euros, equal to 2,3% of total exposures; net of adjustments these exposures amounted to 60,3 million euros;
- the on-balance exposures at Stage 3, so the impaired exposures, amounted to 19 million euros, equal to 0,7% of total exposures, divided as follows:
  a) past due on-balance exposures for 0,02 million euros; net of adjustments these exposures amounted to 0,01 million euros;
  b) unlikely to pay on-balance exposures for 11,8 million euros, equal to 0,45% of total exposures; net of adjustments these exposures amounted to 3,2 million euros, with a coverage of 72,5% (67,7% in 2019);
  c) bad loans on-balance exposures for 7,3 million euros, equal to 0,25% of total exposures; net of adjustments these exposures amounted to 0,1 million euros, with a coverage of 98,3% (98,3% in 2019).

At 31st December 2020 total losses for 23,2 million euros (9,7 million in 2019) were accounted, of which 19.8 relating to the Astaldi S.p.A. position, against the approval of the arrangement with creditors issued on 17 July 2020 which attributed shares and equity financial instruments based on the ascertained credit, divided as follows: 22,8 million in relation to exposures due to assignors and 0,4 million in respect of confrontations of debtors. The amount recorded was completely covered by the specific funds.

As regards the risks, uncertainties and impacts of the COVID-19 epidemic, please refer to the Notes to the Financial Statements Part A - Accounting Policies - Section 4 - Other aspects.

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 2020, 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 2020, no. 17 positions included in the ''large exposures'' (18 positions in 2019) were recorded. For risk positions above the limit of 25% of the eligible capital, the Parent Company ensures, by guarantees, he excess of the individual limit; as of December 31st, 2020 four primary Groups exceeded this limit.

It should be noted that at 31st December 2020 both the CET1 Capital ratio and the Total Capital ratio were equal to 12,375% (11,365% at 31st December 2019) and the capital surplus was equal to Euro 123.476.327 (Euro 110.952.293 at 31st December 2019), 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 that your company has carried out, during the year, an internal development of software applications dedicated to innovations, intangible assets that will generate economic benefits also in the coming years.

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 2020, 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 (+2,8%) both in terms of outstanding (+3,3%), and in terms of average loans (+2,7%), as well as the general confidence of operators about the expected performance of the fiscal result for 2021 (about 63,3% of operators expect an increasing trend compared to 2020, about 23.3% expect a value on the same levels and 13.4% instead have a negative forecast).

Factorit's goals for 2021 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 persistence of the pandemic 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, the effects of which have already been negatively manifested on the earning margin of the past year and which will probably have consequences also in the new year, albeit expected to a lesser extent.

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

After the close of the financial year, no significant events occurred that could have an impact on these financial statements.

With regard to the information included in IAS 1, paragraph 125, which requires disclosure on 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 of assets and liabilities within the next year, in Section 3 - Information on risks and related hedging policies, the evolutionary dynamics of the main macro-factors (gross domestic product, unemployment and inflation) over a three-year forecast horizon are reported with the relative simulations carried out. As regards, in particular, the determination of expected losses on financial instruments not measured at fair value with impact on the income statement as at 31 December 2020, these have been estimated on the basis of all reasonable and demonstrable information at the reference date as well as subsequently recorded, including the expected changes in the main economic variables, appropriately weighted according to the probability of occurrence attributed to the various scenarios identified.

Dear shareholders,

we propose you approve the financial statements as at and for the year ended 31 December 2020 and the allocation of the profit for the year as follows:

Net profit for the year	Euro	7.965.626
Profits from previous years	Euro	245.544
Profits to allocate	Euro	8.211.170
Of which:		
5% of the profit to Legal Reserve	Euro	398.281
Profits to extraordinary reserve	Euro	7.252.844
Retained profits	Euro	560.045

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, 12 March 2021

On behalf of the Board of Directors

Chairman
(Roberto Ruozi)

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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	31/12/2020	31/12/2019
10. Cash and cash equivalents	2.180	2.062
30. Financial assets measured at fair value through OCI	835.935	65.076
40. Financial assets measured at amortised cost	2.611.879.277	2.330.125.724
a) with banks	68.493.514	12.752.502
b) with financial institutions	30.113.078	816.195
c) with customers	2.513.272.685	2.316.557.027
80. Property and Equipment	6.233.630	7.744.123
90. Intangible assets	560.045	386.700
100. Tax assets	21.826.006	25.459.393
a) current	1.108.934	1.749.753
b) deferred	20.717.072	23.709.640
120. Other assets	4.600.937	3.256.131
TOTAL ASSETS	**2.645.938.010**	**2.367.039.209**

Liabilities and Equity	31/12/2020	31/12/2019
10. Financial liabilities measured at amortised cost	2.378.212.343	2.099.070.293
a) debts	2.378.212.343	2.099.070.293
Financial liabilities		
60. Tax liabilities	2.583.632	2.784.267
a) current	544.209	745.006
b) deferred	2.039.423	2.039.261
80. Other liabilities	13.093.955	20.728.391
90. Post-employment benefits	2.161.392	2.255.181
100. Provisions for risk and charges	1.538.822	1.605.152
a) commitments and guarantees given	536.243	642.509
b) pension and similar provisions	0	0
c) other provisions for risks and charges	1.002.579	962.643
110. Share Capital	85.000.002	85.000.002
140. Share premium	11.030.364	11.030.364
150. Reserves	144.902.640	139.741.749
160. Valuation reserves	-550.766	-337.081
170. Profit (Loss) for the year	7.965.626	5.160.891
TOTAL LIABILITIES AND EQUITY	**2.645.938.010**	**2.367.039.209**

INCOME STATEMENT

(Euro)

Income Statement items	31/12/2020	31/12/2019
10. Interests and similar income	19.247.464	22.624.814
of which: interest income calculated using the effective interest method	19.247.464	22.624.814
20. Interest and similar expense	-1.692.979	-2.946.662
30. NET INTEREST INCOME	**17.554.485**	**19.678.152**
40. Fee and commission income	21.842.350	24.515.807
50. Fee and commission expense	-3.143.908	-3.141.050
60. NET FEE AND COMMISSION INCOME	**18.698.442**	**21.374.757**
80. Net trading income	-58.240	-5.317
120. TOTAL INCOME	**36.194.687**	**41.047.592**
130. Net impairment losses for credit risk on:	-5.032.460	-9.957.256
a) financial assets measured at amortised cost	-5.032.460	-9.957.256
b) financial assets measured at fair value through OCI		
150. NET RESULT OF FINANCIAL MANAGEMENT	**31.162.227**	**31.090.336**
160. Administrative expenses:	-18.956.764	-20.170.731
a) personnel expenses	-13.503.865	-13.974.365
b) other administrative expenses	-5.452.899	-6.196.366
170. Net accruals to provisions for risks and charges	-99.712	-3.350.082
a) commitments and guarantees given	106.266	542.888
b) Other net accruals	-205.978	-3.892.970
180. Depreciation and net impairment losses on property and equipment	-1.657.392	-1.670.134
190. Amortisation and net impairment losses on intangible assets	-121.835	-86.205
200. Other operating income, net	1.250.565	1.826.795
210. OPERATING PROFIT	**-19.585.138**	**-23.450.357**
250. Net gain on the sale of investments	6.528	8.772
260. PRE-TAX PROFIT FROM CONTINUING OPERATIONS	**11.583.617**	**7.648.751**
270. Income taxes	-3.617.991	-2.487.860
280. POST-TAX PROFIT FROM CONTINUING OPERATIONS	**7.965.626**	**5.160.891**
300. PROFIT (LOSS) FOR THE YEAR	**7.965.626**	**5.160.891**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

	31/12/2020	31/12/2019
10. Profit (loss) for the year	**7.965.626**	**5.160.891**
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	(197.449)	-
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	(16.236)	(94.085)
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	**(213.685)**	**(94.085)**
180.Comprehensive income (Caption 10+170)	**7.751.941**	**5.066.806**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Euro)

	Balance at 31/12/2019	Changes to opening balances	Balance at 01/01/2020	Allocation of prior year profit		Changes of the year							Comprehensve income 31/12/2020	Equity at 31/12/2020
							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	130.572.547	-	130.572.547	5.160.891	-	-	-	-	-	-	-		-	135.733.438
b) other	9.169.202	-	9.169.202	-	-	-	-	-	-	-	-		-	9.169.202
Valuation reserves	(337.081)	-	(337.081)	-	-	-	-	-	-	-	-		(213.685)	(550.766)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (Loss) for the year	5.160.891	-	5.160.891	(5.160.891)	-	-	-	-	-	-	-		7.965.626	7.965.626
Equity	240.595.925	-	240.595.925	-	-	-	-	-	-	-	-		7.751.941	248.347.866

STATEMENT 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	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	122.719.043	-	122.719.043	7.853.504	-	-	-	-	-	-	-		-	130.572.547
b) others	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 CASH FLOWS

(Euro)

A. OPERATING ACTIVITIES	31/12/2020	31/12/2019
1. OPERATIONS	**10.433.657**	**15.526.079**
- profit or loss for the year (+/-)	7.965.626	5.160.891
- net losses on financial assets held for trading and on financial assets/liabilities at fair value through profit and loss (+/-)	58.240	5.317
- capital gains/losses on hedged assets (+/-)	0	0
- net impairment losses (+/-)	5.032.460	9.957.256
- net impairment losses on property and equipment and intangible assets (+/-)	1.779.227	1.756.339
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	99.712	(3.350.082)
- unsettled taxes and tax assets (+/-)	544.209	1.751.778
- other adjustments (+/-)	(5.045.817)	244.580
2. CASH FLOWS GENERATED BY FINANCIAL ASSETS	**(287.661.605)**	**13.620.443**
- 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	(770.859)	0
- financial assets measured at amortised cost	(288.538.508)	10.104.762
- other assets	1.647.762	3.515.681
3. CASH FLOWS USED FOR FINANCIAL LIABILITIES	**270.704.702**	**(34.127.960)**
- financial liabilities measured at amortised cost	279.142.050	(22.997.761)
- financial liabilities held for trading	0	0
- financia liabilities designated at fair value	0	0
- other liabilities	(8.437.348)	(11.130.199)
Net cash flows generated by operating activities	**(6.523.246)**	**(4.981.438)**
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY	**0**	**17.570**
- sales of property and equipment	0	17.570
- sales of intangible assets	0	0
- sales of business units	0	0
2. CASH FLOWS USED TO ACQUIRE	**(261.591)**	**(131.479)**
- property and equipment	(162.450)	(125.801)
- intangible assets	(99.141)	(5.678)
- business units	0	0
Net cash flows used in investing activities	**(261.591)**	**(113.909)**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	0	0
- issue/repurchase of equity instruments	0	0
- dividend and other distributions	0	0
Net cash flows used by financing activities	**0**	**0**
TOTAL NET CASH FLOWS FOR THE YEAR	**(6.784.837)**	**(5.095.347)**

RECONCILIATION	31/12/2020	31/12/2019
Opening cash and cash equivalents	**11.403.137**	**16.498.484**
Total net cash flows for the year	(6.784.837)	(5.095.347)
Closing cash and cash equivalents	**4.618.300**	**11.403.137**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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 oth-

erwise. Qualitative information or comments are included when this is useful to understand the financial statements captions.

Section 3 *Events after reporting date*

Pursuant to IAS 10, the Board of Directors authorized the publication of the Financial Statements on 12th March 2021.
No significant events have occurred that could significantly alter the company's financial and equity situation so that their omission could affect the economic decisions of the users of the financial statements.

Section 4 *Other issues*

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 2020, 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 2020.
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 2020.

Risks, uncertainties and impacts of the COVID-19 epidemic

The COVID 19 epidemic caused a sharp reduction in business volumes as the business is strongly connected with the turnover of its customers, on which the various loans are then based in line with the maturities of the trade receivables sold. Therefore, since there is this close correlation, the various exposures that derive from it have a short duration (approximately 100 days on average) and therefore little exposed to the credit risk typical of bank-

ing techniques that have notoriously longer maturities. Government measures aimed at supporting the economy through interventions that have seen the extension of deadlines as well as new loans at favorable conditions have allowed companies to pay their trade debts with positive effects also on the maturities of the loans granted by the Company.
Therefore, the risks to which the company is exposed due to the impacts relating to the COVID 19 pandemic, are attributable to the reduction of the intermediation margin and limited to the credit risk, as these exposures are of short / very short duration and any new financing is granted through rigorous risk control actions in place, verifying for the individual customer the relative business performance and the stock of assigned receivables based on the goodness of the debtor and his ability to meet the relative deadlines.
A further risk is to be found in the continuous reduction in interest rates and, consequently, in the margin gap that derives from this, obviously with impacts on the income statement.
Regarding the foreseeable evolution of management, a very uncertain first half is expected, conditioned by the economic situation which is affected by the repercussions generated by the effects of the health emergency. However, some important commercial relations were initiated in the preceding months whose positive results will unfold during the year.
Market expectations, also supported by authoritative forecasts (government sources, update note of the Economic and Financial Document, Prometeia, trade associations) envisage scenarios that assume a gradual reduction in the spread of the pandemic with positive effects on GDP and economic recovery. Since the business is strongly connected with the production cycle, despite the aforementioned uncertainty, situations of moderate growth are expected in 2021 and more virtuous in the following years.
As regards the determination of expected losses on non-impaired loans, please refer to Section 3 - Information on risks and related hedging policies, in the Section relating to credit risk.

Contractual changes resulting from COVID-19

1) Contractual amendments and accounting derecognition (IFRS 9)

The measures put in place by the government to tackle the COVID 19 pandemic in support of the economy, as already reported in the previous paragraph, have not found specific application for the company's business based on the financing of commercial receivables sold. However, requests for extensions and repayment plans by the assigned debtors (within 90 days), in agreement with the individual assignors, were handled according to the corporate procedures already in place. The requests for moratoriums received by the Assignors are practically nil.
In this context, it was not necessary to introduce specific contractual conditions such as to modify the possible derecognition from the financial statements.
For the reasons set out in this paragraph, since no loans subject to ''moratoriums'' or concession measures or guaranteed by the State or other Public Bodies have been granted, have not been produced in the following paragraphs the financial information dedicated to them (Part B - information on the balance sheet, part C - information on the income statement and part E - information on risks and related hedging policies).

2) Amendment of the accounting standard IFRS 16

On 10 April 2020, the IFRS Foundation, in the face of the advent of the COVID-19 pandemic, clarified (''Accounting for COVID-19 related rent concessions applying IFRS 16 Leases'') that in the event of changes in the payments of lease payments, also following government interventions, it is necessary to evaluate whether or not they represent a modification of the con-

tract with the related accounting and disclosure in the financial statements. Given the protraction of the emergency situation caused by Covid-19 and the consequent economic and financial effects, on May 28, 2020 the IASB published the amendment to IFRS 16 ''Covid-19 Related Rent Concessions'', approved on 09 / 10/2020, whose effects take effect from 1 June 2020 with the possibility of early application.
In this sense, the new paragraphs 46A and 46B introduced as a practical expedient the possibility for the lessee not to treat the unpaid rents, as a direct consequence of Covid-19, as modifications to the original contract and therefore do not imply a modification of the plan. amortization of the lease, with consequent recalculation of the liability.
In order to apply this exemption, all the following conditions must be met:

- the granting of payments is a direct consequence of the Covid-19 pandemic;
- the change in payments has left the same amount to be paid unchanged - with respect to the original conditions - or has reduced the amount;
- the reduction in payments refers only to those originally due until June 2021;
- there are no substantial changes to other contractual terms or conditions of the lease.

Considering the aforementioned, the company, in line with the Banca Popolare di Sondrio Group, did not request any suspension of payment of the leasing installments to deal with the emergency, in addition, no branch closure was carried out that may have revealed impairment indicators of the rights of use.

Intangible fixed assets - software: of which internally generated

In view of the requirements of the international accounting standard, the company, as regards the software solutions generated internally, has defined the necessary procedures and in particular:

- set up the Investment Committee, chaired by the Managing Director, which examines and approves the projects requested by the company functions, assessing the conditions for being classified among the internally generated intangible assets;
- it has adopted a procedure for managing the time-reporting of IT activities carried out at the level of a single project which makes it possible to detect the direct cost of the internal and external resources used;
- has adjusted its chart of accounts to record accounting for the entire process and in particular:
  1) the cost incurred remains accounted for in the relevant item;
  2) for the activities not yet put into production, the costs incurred are suspended, going to record them in a dedicated account of the income statement ''increases in operating software assets generated internally'' which is classified under item 200. "Other operating income and charges" and as a contra-entry the SP account "Assets under construction and internally generated advances";
  3) when the software is put into production, the amount is transferred to the SP account ''internally generated operating software'' and from this moment it is amortized based on the duration defined in the project approval phase.

During the year, the company continued, with the aim of using/offering tools or products with a high technological content, the development of in-house software. It should be noted that in 2020 the capitalization periods of two projects were completed and therefore started for a total cost incurred of approximately € 0.27 million, while the costs of approximately € 0.2 million relating to projects under development.

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 2020 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	Gen-2016	69.000	69.000	-
Banks and Insurance Fund	Factorit S.p.a	Feb-2016	21.634	21.634	-
Banks and Insurance Fund	Factorit S.p.a	26/10/2017	75.920	75.920	-
Banks and Insurance Fund	Factorit S.p.a	23/03/2018	2.543	2.224	2.224
Banks and Insurance Fund	Factorit S.p.a	07/03/2018	1.543	1.538	1.538
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 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 securtities 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 based on the guidelines set out in the supervisory regulations;
b) estimating the probability of transfer of the performing exposures to unlikely to pay/bad loans exposure categories (default rates) on a statistical basis;
c) calculating the LGD on a historical-statistical basis, using an historical database of bad loans 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, 2020:

a) Bad loans 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 bad loans 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 bad loans 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 enough 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	770.859	-	65.076	835.935
3. Hedging derivatives				
4. Property and equipment	-	-	-	-
5. Intangible assets	-	-	-	-
Total	770.859	-	**65.076**	**835.935**
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	31/12/2020				31/12/2019			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	2.611.879.277	-	-	2.611.879.277	2.330.125.724	-	-	2.330.125.724
2. Tangible assets held for investments	-	-	-	-	-	-	-	-
3. Non-current assets held for trade and disposal groups	-	-	-	-	-	-	-	-
Total	**2.611.879.277**	**-**	**-**	**2.611.879.277**	**2.330.125.724**	**-**	**-**	**2.330.125.724**
1. Financial liabilities measured at amortised cost	2.378.212.343	-	-	2.378.212.343	2.099.070.293	-	-	2.099.070.293
2. Liabilities associated to assets disposal	-	-	-	-	-	-	-	-
Total	**2.378.212.343**	**-**	**-**	**2.378.212.343**	**2.099.070.293**	**-**	**-**	**2.099.070.293**

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*

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

	31/12/2020	31/12/2019
a) Cash	2.180	2.062
b) Demand deposits with Central Banks	-	-
Total	**2.180**	**2.062**

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

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	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	-	-	-	-	-	-
1.1. Structured	-	-	-	-	-	-
1.2. Other	-	-	-	-	-	-
2. Equity instruments	770.859	-	65.076	-	-	65.076
3. Financing	-	-	-	-	-	-
Total	**770.859**	-	**65.076**	-	-	**65.076**

Equity securities are represented by:

- participation in the Compagnia Aerea Italiana S.p.A. (L3) 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.
- Shares and equity financial instruments of Astaldi S.p.A. (L1) in compliance with the arrangement with creditors, of the company Astaldi S.p.A., approved by decree, issued by the Court of Rome on 17 July 2020, as a result of which, in the month of November 2020, the payment of the amount envisaged was received, through the assignment, to the extent of 12,493 shares for every 100 euro of ascertained credit and, for another part, with the assignment of participatory financial instruments (PFIs) based on number one PFIs for every euro of credit ascertained.

In line with the Parent Company's assessments, the ascertained receivable was booked and consequently transferred to a loss.

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

	31/12/2020	31/12/2019
1. Debt instruments	-	-
a) Public administrations	-	-
b) Banks	-	-
c)Other financial institutions of which: insurance institutions	-	-
d) Non-financial institutions	-	-
2. Equity instruments	835.935	65.076
a) Public administrations	-	-
b) Banks	-	-
c)Other financial institutions of which: insurance institutions	-	-
d) Non-financial institutions	835.935	65.076
3. Financing	-	-
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions	-	-
of which: insurance institutions	-	-
d) Non-financial institutions	-	-
e) Households	-	-
Total	**835.935**	**65.076**

Section 4 *Financial assets measured at amortised cost*

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	31/12/2020						31/12/2019					
	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	**4.616.120**	-	-	-	-	**4.616.120**	**11.401.075**	-	-	-	-	**11.401.075**
2. Financing	**54.777.003**	-	-	-	-	**54.777.003**	**48.211**	-	-	-	-	**48.211**
2.1 Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Financial Leases	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Factoring	20.218	-	-	-	-	20.218	-	-	-	-	-	-
- with recourse	20.218	-	-	-	-	20.218	-	-	-	-	-	-
- without recourse	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other financing	54.556.785	-	-	-	-	54.556.785	48.211	-	-	-	-	48.211
3. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
3.2 other	-	-	-	-	-	-	-	-	-	-	-	-
4. Other assets	**9.300.391**	-	-	-	-	**9.300.391**	**1.303.216**	-	-	-	-	**1.303.216**
Total	**68.493.514**	-	-	-	-	**68.493.514**	**12.752.502**	-	-	-	-	**12.752.502**

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 4.616.120 consists of temporary liquidity deposited with banks, mainly originating from cash inflows at year end.

Caption 4 “Other assets” relates almost entirely to:

- 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	31/12/2020						31/12/2019					
	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	**30.109.698**		-	-	-	**30.109.698**	**812.988**	-		-	-	**812.988**
1.1 Reverse repurchase agreement	-		-	-	-	-	-	-	-	-	-	-
1.2 Financial leases	-		-	-	-	-	-	-	-	-	-	-
1.3 Factoring	27.796.612		-	-	-	27.796.612	812.968	-	-	-	-	812.968
- with recourse	27.796.612		-	-	-	27.796.612	812.968	-	-	-	-	812.968
- without recourse	-		-	-	-	-	-	-	-	-	-	-
1.4 Other financing	2.313.086		-	-	-	2.313.086	20	-	-	-	-	20
2. Debt instruments	-		-	-	-	-	-	-	-	-	-	-
2.1 structured	-		-	-	-	-	-	-	-	-	-	-
2.2 other	-		-	-	-	-	-	-	-	-	-	-
3. Other assets	**3.380**		-	-	-	**3.380**	**3.207**	-	-	-	-	**3.207**
Total	**30.113.078**		-	-	-	**30.113.078**	**816.195**	-	-	-	-	**816.195**

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.

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

Composition	31/12/2020						31/12/2019					
	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
2. Financing	**2.509.900.301**	**3.372.384**	-	-	-	**2.513.272.685**	**2.303.815.963**	**12.736.743**	-	-	-	**2.316.522.706**
1.1 Financial leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	2.348.231.008	3.056.667	-	-	-	2.351.287.675	2.209.684.794	11.820.945	-	-	-	2.221.505.739
- with recourse	1.633.538.193	2.256.883	-	-	-	1.635.795.076	1.605.611.378	10.727.922	-	-	-	1.616.339.300
- without recourse	714.692.815	799.784	-	-	-	715.492.599	604.073.416	1.093.023	-	-	-	605.166.439
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	161.669.293	315.717	-	-	-	161.985.010	94.131.169	915.798	-	-	-	95.046.967
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**
Total	**2.509.900.301**	**3.372.384**	-	-	-	**2.513.272.685**	**2.303.820.284**	**12.736.743**	-	-	-	**2.316.557.027**

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 571.794 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 159.093.695 of advances for assignments for loans and receivables that do not fall under the scope of Law no. 52/91;
- Euro 2.003.804 related to other financing.

The impaired "Other financing" includes:

- Euro 6.349 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 309.368 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	31/12/2020			31/12/2019		
	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:	**2.540.013.379**	**3.372.384**	-	**2.304.636.479**	**12.736.743**	-
a) Public administrations	343.523.090	274.733	-	24.728.001	189.867	-
b) Other financial institutions	30.113.078	-	-	816.195	-	-
of which: insurance institutions	-	-	-	-	-	-
c) Non-financial institutions	2.147.859.828	3.090.018	-	2.261.622.847	12.524.895	-
d) Households	18.517.383	7.633	-	17.469.436	21.981	-
3. Other Assets	-	-	-	-	-	-
Total	**2.540.013.379**	**3.372.384**	-	**2.304.636.479**	**12.736.743**	-

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	2.552.827.764		60.499.314	19.098.920	4.669.928	150.257	15.726.536	49.986.003
Other Assets	-	-	-	-	-	-	-	
Total 31/12/2020	**2.552.827.764**		**60.499.314**	**19.098.920**	**4.669.928**	**150.257**	**15.726.536**	**49.986.003**
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
Of which: purchased or originated impaired financial assets								

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2020						31/12/2019					
	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:			**27.766.368**	**27.766.368**	**1.835.522.469**	**1.833.480.504**			**812.968**	**812.968**	**1.686.987.715**	**1.670.231.995**
– Assets under finance lease												
– Factoring receivables			27.686.852	27.686.852	1.589.459.889	1.589.459.889			576.224	576.224	1.548.737.507	1.548.737.507
– Mortgages												
– Pledges												
– Collateral			79.516	79.516	246.062.580	244.020.615			236.744	236.744	138.250.208	121.494.488
– Credit derivatives												
2. Impaired assets guaranteed by:					**606.590**	**606.590**					**7.288.109**	**7.288.109**
– Assets under financial lease												
– Factoring receivables					258.691	258.691					6.264.171	6.264.171
– Mortgages					11.784	11.784					73.955	73.955
– Pledges												
– Collateral					336.115	336.115					949.983	949.983
– Credit derivatives												
Total			**27.766.368**	**27.766.368**	**1.836.129.059**	**1.834.087.094**			**812.968**	**812.968**	**1.694.275.824**	**1.677.520.104**

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*

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

8.1 Property and equipment: assets measured at cost

Assets/Amounts	31/12/2020	31/12/2019
1. Owned	**231.591**	**329.355**
a) land	-	-
b) buildings	-	-
c) furniture	33.051	56.991
d) electronic system	48.822	43.285
e) other	149.718	229.079
2. Rights of use under leasing	**6.002.039**	**7.414.768**
a) land	-	-
b) buildings	5.904.119	7.345.503
c) furniture	-	-
d) electronic system	-	-
e) other	97.920	69.265
Total	**6.233.630**	**7.744.123**
Of which: obtained through the enforcement of guarantees received	-	-

With regard to the item "Rights of use under leasing", 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 5.782.379.

8.6 Property and equipment: annual changes

	Land	Buildings	Furniture	Electronic system	Other	Total
A. Gross opening balance		**8.771.224**	**404.127**	**398.378**	**869.285**	**10.443.014**
A.1 Total net impairment losses		1.425.721	347.136	355.093	570.941	2.698.891
A.2 Net opening balance		**7.345.503**	**56.991**	**43.285**	**298.344**	**7.744.123**
a) Adjustment opening balance (IAS 8)		**-**	**-**	**-**	**-**	**-**
B. Increases		**-**	**4.470**	**26.865**	**155.689**	**187.024**
B.1 Purchase		-	4.470	26.730	155.689	186.889
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		-	-	135	-	135
C. Decreases		**1.441.384**	**28.410**	**21.328**	**206.395**	**1.697.517**
C.1 Sales		-	-	-	36.788	36.788
C.2 Depreciation		1.439.584	26.903	21.298	169.607	1.657.392
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		1.800	1.507	30	-	3.337
D. Net closing balance		**5.904.119**	**33.051**	**48.822**	**247.638**	**6.233.630**
D.1 Total net impairment losses		2.865.305	367.607	369.524	577.830	4.180.266
D.2 Gross closing balance		**8.769.424**	**400.658**	**418.346**	**825.468**	**10.413.896**
E. Measurement at cost		**5.904.119**	**33.051**	**48.822**	**247.638**	**6.233.630**

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

	Land	Buildings	Furniture	Electronic system	Other	Total
A. Gross opening balance		**8.771.224**	**-**	**-**	**119.439**	**8.890.663**
A.1 Total net impairment losses		1.425.721	-	-	50.174	1.475.895
A.2 Net opening balance		**7.345.503**	**-**	**-**	**69.265**	**7.414.768**
a) Adjustment opening balance (IAS 8)		-	-	-	-	-
B. Increases		**-**	**-**	**-**	**84.062**	**84.062**
B.1 Purchase		-	-	-	84.062	84.062
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		**1.441.384**	**-**	**-**	**55.407**	**1.496.791**
C.1 Sales		-	-	-	-	-
C.2 Depreciation		1.439.584	-	-	55.407	1.494.991
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		1.800	-	-	-	1.800
D. Net closing balance		**5.904.119**	**-**	**-**	**97.920**	**6.002.039**
D.1 Total net impairment losses		2.865.305	-	-	62.956	2.928.261
D.2 Gross closing balance		**8.769.424**	**-**	**-**	**160.876**	**8.930.300**
E. Measurement at cost		**5.904.119**	**-**	**-**	**97.920**	**6.002.039**

Section 9 *Intangible assets*

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

9.1 “Intangible assets”: composition

Captions/Amounts	31/12/2020		31/12/2019	
	Assets measured at cost	Assets measured at FV	Assets measured at cost	Assets measured at FV
1. Goodwill	**-**	**-**	**-**	**-**
2. Other intangible assets				
2.1 Owned	560.045	-	386.700	-
- internally generated assets	414.224	-	248.529	-
- other	145.821	-	138.171	-
2.2 Under finance lease	-	-	-	-
Total 2	**560.045**	**-**	**386.700**	**-**
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)	**560.045**	**-**	**386.700**	**-**

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	**386.700**
B. Increases	**295.180**
B.1 Purchases	99.141
B.2 Reversal of impairment losses	-
B.3 Fair value gains recognized in:	-
- equity	-
- profit & loss	-
B.4 Other increases	196.039
C. Decreases	**121.835**
C.1 Sales	-
C.2 Amortisation	121.835
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	**560.045**

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 31/12/2020	Total 31/12/2019
Current tax assets	1.108.934	1.749.753
Deferred tax assets (through equity)	236.051	154.999
Deferred tax assets (through profit & loss)	20.481.021	23.554.641
Total	**21.826.006**	**25.459.393**

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 31/12/2020	Total 31/12/2019
Current tax liabilities	544.209	745.006
Deferred tax liabilities (through equity)	2.039.162	2.039.162
Deferred tax liabilities (through profit & loss)	261	99
Total	**2.583.632**	**2.784.267**

"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)

	31/12/2020	31/12/2019
1. Opening balance	**23.554.641**	**24.290.690**
2. Increases	**132.652**	**-**
2.1 Deferred tax assets recognized in the year	132.652	-
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	132.652	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**3.206.272**	**736.049**
3.1 Deferred tax assets recognized in the year	3.206.272	736.049
a) reversals	3.206.272	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	**20.481.021**	**23.554.641**

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

	31/12/2020	31/12/2019
1. Opening balance	**23.113.222**	**23.113.222**
2. Increases	**-**	**-**
3. Decreases	**3.188.030**	**-**
3.1 Reversals	3.188.030	-
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	**19.925.192**	**23.113.222**

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

	31/12/2020	31/12/2019
1. Opening balance	**99**	**68**
2. Increases	**162**	**31**
2.1 Deferred tax liabilities recognized in the year	162	31
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) other	162	31
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognized 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	**261**	**99**

10.5 Changes in deferred tax assets (recognized in equity)

	31/12/2020	31/12/2019
1. Opening balance	**154.999**	**119.312**
2. Increases	**81.052**	**35.687**
2.1 Deferred tax assets recognized in the year	81.052	35.687
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) other	81.052	35.687
2.2 Nuove imposte o incrementi di aliquote fiscali	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets derecognized in the year	-	-
a) reversals	-	-
b) impairment due to recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**236.051**	**154.999**

The table shown is substantially composed by deferred tax on actuarial gain/loss from valuation on post-employment fund and, starting from the current year, from the prepaid taxes on the adjustment of the Astaldi S.p.A. securities.

10.6 Changes in deferred tax liabilities (recognized in equity)

	31/12/2020	31/12/2019
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*

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

12.1 "Other assets": composition

	31/12/2020	31/12/2019
Tax credits (not classifiable as tax assets)	197.619	310.642
Credit to Parent Company for tax consolidation	1.007.790	1.767.026
Items in transit not yet posted to destination accounts	2.312.532	-
Guarantee deposits	22.100	21.800
Advances to suppliers	2.090	25.264
Prepayments and accrued income not recognisable under a specific caption	465.751	532.461
Other items	593.055	598.938
Total	**4.600.937**	**3.256.131**

The captions "tax credit" contains the amount of Euro 165.261 referred to the virtual stamp duty.
It should be noted that the Company has adhered to the legislation relating to the "National Tax Consolidation" as governed by the rules contained in articles 117 to 129 of the TUIR e therefore the advances relating to taxes 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 BpM (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.

LIABILITIES

Section 1 *Financial liabilities measured at amortised cost*

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	31/12/2020			31/12/2019		
	With banks	With financial institutions	With customers	With banks	With financial institutions	With customers
1. Financing	2.364.476.756	-	-	2.026.215.434	-	-
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other financing	2.364.576.756	-	-	2.026.215.434	-	-
2. Lease liabilities	1.265.793	2.071	4.712.891	1.490.122	12.924	5.901.307
3. Other debts	2.286.979	-	5.467.853	2.049.960	39.818.982	23.581.564
Total	**2.368.029.528**	**2.071**	**10.180.744**	**2.029.755.516**	**39.831.906**	**29.482.871**
Fair value – level 1		-	-		-	-
Fair value – level 2		-	-	-	-	-
Fair value – level 3	2.368.029.528	2.071	10.180.744	2.029.755.516	39.831.906	29.482.871
Total fair value	**2.368.029.528**	**2.071**	**10.180.744**	**2.029.755.516**	**39.831.906**	**29.482.871**

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	120.657.860
Advances under reserve on cash orders or direct debits	26.721.000
Hot money at maturity	152.500.000
Commissions to be paid	378.181
Foreign currency advances	140.332.405
Supplier invoices received and to be received	303.644
Due to parent	1.926.464.589
Accrued expenses on hot money	187
Accrued under reserve on cash orders or direct debits	2.525
Accrued expenses on foreign currency advances	86.213
Due to principals	582.924
Total	**2.368.029.528**

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 31.12.2020
Properties	7.340.657	(1.518.918)	50.523	(1.800)	5.870.462
Cars	63.696	(35.170)	144	81.623	110.293
Others					
Total	7.404.353	(1.554.088)	50.667	79.823	5.980.755

At 31.12.2020 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	1.497.118	4.277.928	211.753	-
Cars	48.068	47.906	-	-
Others	-	-	-	-
Total	1.545.186	4.325.834	211.753	-

Section 6 *Tax liabilities*

The information about this section has been provided in Section 100 of Assets.

Section 8 *Other liabilities*

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

8.1 "Other liabilities": composition

	31/12/2020	31/12/2019
Taxes payable	591.671	610.836
Tax consolidation	-	1.006.772
Personnel	219.650	232.259
Social security institutions	566.615	606.744
Suppliers	783.409	1.033.059
Invoices to be received	465.557	507.348
Amounts to be credited under processing	5.549.891	11.852.832
Directors and Statutory auditors	77.272	29.120
Other	4.839.890	4.849.421
Total	**13.093.955**	**20.728.391**

The caption “Amounts to be credited under processing” includes:

- Euro 4.247.695 for remittances received but not yet allocated to the relevant captions;
- Euro 1.297.888 for effects being credited;
- Euro 3.601 for bills after collections.

The caption “Other” includes:

- Euro 3.315.143 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 981.376 for unallocated deferred income, for Euro 417.305 for items awaiting settlement and Euro 126.066 for residual items.

Section 9 *Post emplyment benefits*

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

9.1 Post-employment benefits: changes

	31/12/2020	31/12/2019
A. Opening balance	**2.255.181**	**2.324.050**
B. Increases	**25.334**	**156.919**
B.1 Accruals	7.327	25.207
B.2 Other increases	18.007	131.712
C. Decreases	**119.123**	**225.788**
C.1 Payments	119.123	225.788
C.2 Other decreases	-	-
D. Closing balance	**2.161.392**	**2.255.181**

The amount, calculated according to the national legislation, amounts to Euro 1.857.637. 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:

	31/12/2020	31/12/2019
Technical discount rate	0,22%	0,33%
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 28th December 2020 was taken as a reference.

Section 9 *Provisions for risks and charges*

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

10.1 Provisions for risks and charges: composition

Description/Amount	31/12/2020	31/12/2019
1. Provisions for credit risk relating to financial commitments and guarantees given	536.243	642.509
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	1.002.579	962.643
4.1. legal disputes	352.000	201.000
4.2. personnel expense	650.579	761.643
4.3. other	-	-
Total	**1.538.822**	**1.605.152**

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. Furthermore, the ECL calculation is also carried out on the commitments relating to the "committed lines" issued to some customers of high standing.
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 352.000.

The sub-caption “Personnel expense” is comprised of:

- Personnel training for Euro 61.168;
- Other personnel expense for Euro 589.411.

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	**-**	**-**	**962.643**	**962.643**
B. Increases	**-**	**-**	**602.700**	**602.700**
B.1 Accruals	-	-	602.700	602.700
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**562.764**	**562.764**
C.1 Utilisations	-	-	502.742	502.742
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	60.022	60.022
D. Closing balance	**-**	**-**	**1.002.579**	**1.002.579**

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	324.897	8.046	203.300	536.243
2. Financial guarantees given				
Total	**324.897**	**8.046**	**203.300**	**536.243**

Section 11 *Equity*

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	31/12/2020
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 2020 or at 31 December 2019.

11. Equity instruments: composition

The company had not issued equity instruments either at 31 December 2020 or at 31 December 2019.

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	12.441.709	B	-	-	-
Share premium	11.030.364	A-B	5.209.011	-	-
Share premium	-	A-B-C	5.821.353	-	-
Other reserves	131.664.621	A-B-C	126.284.385	-	-
Other reserves	-	A-B	5.380.236	-	-
Retained earnings	245.544	A-B-C	245.544	-	-
Total	**240.382.240**		**142.940.529**	**-**	**-**
Non-distributable portion	**-**		**10.589.247**	**-**	**-**
Remaining distributable portion	**-**		**132.351.282**	**-**	**-**

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 -384.691 for the non-distributable post-employment benefit/loss reserve, for Euro 31.374 to the valuation of the investment in Compagnia Aerea Italiana, for Euro -197.449 to the valuation of Astaldi S.p.A. shares 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 2020 is hereby shown:

Net profit for the year	Euro	7.965.626
Profits from previous years	Euro	245.544
Profits to allocate	Euro	8.211.170
of which:		
5% of the profit to Legal reserve	Euro	398.281
Profits to Extraordinary reserve	Euro	7.252.844
Retained profits	Euro	560.045

11.6 Composition of caption 160 “Valuation reserves”

The caption shows a negative balance for Euro -550.766, of which Euro -384.691 referred to actuarial gains/losses relating post-employment benefits and for Euro -166.075 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			31/12/2020	31/12/2019
	First stage	Second stage	Third stage		
1. Commitments to grant funds	**994.827.203**	**11.475.157**	**294.911**	**1.006.597.271**	**1.505.310.902**
a) Public administrations	2.690.813	716.833	-	3.407.646	3.411.144
b) Banks	3.431	-	-	3.431	143.524
c) Other financial institutions	182.110	-	-	182.110	10.824.541
d) Non-financial institutions	974.242.420	10.751.631	248.814	985.242.865	1.443.832.079
e) Households	17.708.429	6.693	46.097	17.761.219	47.099.614
2. Financial guarantees given	-	-	-	-	-
a) Public administrations	-	-	-	-	-
b) Banks	-	-	-	-	-
c) Other financial institutions	-	-	-	-	-
d) Non-financial institutions	-	-	-	-	-
e) Households	-	-	-	-	-

The table includes both the margins relating to the assignors and, as regards the formal without recourse, the value of the commitment represented by 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

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	31/12/2020	31/12/2019
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:	-	19.246.646	-	19.246.646	22.624.067
3.1. with banks	-	60.150	-	60.150	95.033
3.2. with financial institutions	-	2.219.132	-	2.219.132	3.476.152
3.3. with customers	-	16.967.364	-	16.967.364	19.052.882
4. Hedging derivatives	-	-	-	-	-
5. Other assets	-	-	818	818	747
6. Financial liabilities	-	-	-	-	
Total	**-**	**19.246.646**	**818**	**19.247.464**	**22.624.814**
Of which: interest income on impaired financial assets		**149.395**	-	**149.395**	**270.293**

1.2 Interest and similar income: other disclosure

Foreign currency interest income on loans and receivables with customers and financial institutions amounts to Euro 2.420.757 (Euro 3.585.739 in 2019).

1.3 Interest and similar expense: composition

Captions/Descriptions	Financing	Securities	Other transactions	31/12/2020	31/12/2019
1. Financial liabilities measured at amortised cost					
1.1 Due to banks	(1.655.038)	-	-	(1.655.038)	(2.897.358)
1.2 Due to financial institutions	(18)	-	-	(18)	(51)
1.3 Due to customers	(37.923)	-	-	(37.923)	(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	-	-	-	-	-
5. Hedging derivatives	-	-	-	-	-
6. Financial assets	-	-	-	-	(2.750)
Total	**(1.692.979)**	-	**-**	**(1.692.979)**	**(2.946.662)**
of which: interest expenses related to lease financing	**(50.666)**	-	**-**	**(50.666)**	**(61.192)**

Section 2 *Fee and commissions*

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

2.1 Fee and commission income: composition

Breakdown	31/12/2020	31/12/2019
A. Financial leasing	-	-
B. Factoring	**19.796.035**	**22.383.576**
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	**2.046.315**	**2.132.231**
Total	**21.842.350**	**24.515.807**

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 2020, Euro 3.315.143 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	31/12/2020	31/12/2019
A. Guarantees received	**(445.482)**	**(336.396)**
B. Distribution of third-party services	-	-
C. Collection and payment services	-	-
D. Other fee and commissions	**(2.698.426)**	**(2.804.654)**
d.1 factoring	(1.551.994)	(1.648.251)
d.2 other	(1.146.432)	(1.156.403)
Total	**(3.143.908)**	**(3.141.050)**

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 121.930.

Section 4 *Net trading income*

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					**(58.240)**
4. Hedging instruments					
4.1 Financial derivatives					
4.2 Credit derivatives of which: natural hedges with the fair value option					
Total					**(58.240)**

Section 8 *Net impairment losses*

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		31/12/2020	31/12/2019
	1			2			
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
1. Loans and receivables with banks	**(316.873)**			**21**		**(316.852)**	**18.887**
Impaired loans and receivables purchased							
– leases							
– factoring							
– other							
Other	(316.873)			21		(316.852)	18.887
– leases							
– factoring	(40)					(40)	18.857
– other	(316.833)			21		(316.812)	30
2. Loans and receivables with financial institutions	**(84.397)**			**13.008**		**(71.389)**	**251.439**
Impaired loans and receivables purchased							
– leases							
– factoring							
– other							
Other	(84.397)			13.008		(71.389)	251.439
– leases							
– factoring	(79.483)			13.008		(66.475)	(386)
– other	(4.914)					(4.914)	251.825
3. Loans and receivables with customers	**(4.565.622)**		**(6.815.672)**	**2.051.913**	**4.685.162**	**(4.644.219)**	**(10.227.582)**
Impaired loans and receivables purchased							
– leases							
– factoring							
– consumer credit							
– other							
Other	(4.565.622)		(6.815.672)	2.051.913	4.685.162	(4.644.219)	(10.227.582)
– leases							
– factoring	(4.043.348)		(6.204.269)	1.807.537	3.065.760	(5.374.320)	(8.247.130)
– consumer credit							
– pawn loans							
– other	(522.274)		(611.403)	244.376	1.619.402	730.101	(1.980.452)
Total	**(4.966.892)**		**(6.815.672)**	**2.064.942**	**4.685.162**	**(5.032.460)**	**(9.957.256)**

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.

As already described in the Management Report, the significant increase in value adjustments for the first and second stage is due, in continuity with the IFRS 9 methodological framework in force, to the implementation of the set of scenarios and weighting factors used for the loan portfolio of the Parent Company which reflect the macroeconomic situation as a result of the COVID-19 pandemic.

Section 10 *Administrative expeses*

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

10.1 Administrative expenses: composition

Breakdown	31/12/2020	31/12/2019
1. Employees	**(13.543.298)**	**(13.767.166)**
a) Wages and salaries	(9.356.940)	(9.445.230)
b) Social security contributions	(2.688.783)	(2.711.482)
c) Post-employment benefits	-	-
d) Pension costs	-	-
e) Accrual for post-employment benefits	(7.327)	(25.207)
f) Accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) Payments to external supplementary pension:	(824.822)	(857.292)
- defined contribution plans	(824.822)	(857.292)
- defined benefit plans	-	-
h) Other costs	(665.426)	(727.955)
2. Other personnel	**(13.920)**	**(13.920)**
3. Directors and statutory auditors	**(336.958)**	**(324.901)**
4. Retired personnel	**-**	**-**
5. Cost recoveries for personnel seconded to other companies	**390.311**	**131.622**
6. Cost reimbursements for personnel seconded to the company	**-**	**-**
Total	**(13.503.865)**	**(13.974.365)**

10.2 Average number of employees by category

Breakdown	31/12/2020		31/12/2019	
	Average	Exact	Average	Exact
Employees	**167**	**163**	**170**	**172**
a) Managers	7	7	8	8
b) Junior managers	80	80	79	79
Of which 3rd e 4th level	44	45	43	44
c) Other employees	80	76	83	85
Other personnel	**2**	**1**	**4**	**5**

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

10.3 Other administrative expenses: composition

	31/12/2020	31/12/2019
Building costs:	(79.314)	(81.301)
- leases and maintenance	(37.407)	(37.220)
- utilities	(41.907)	(44.081)
Indirect taxes and duties	(1.338.258)	(1.404.596)
Postal, telephone, printing and other office expenses	(242.234)	(408.733)
Maintenance and charges for furniture, equipment and systems	(449.271)	(450.490)
Professional services and consultancy	(726.935)	(696.435)
Legal fees	(685.955)	(918.890)
Advertising, entertainment and gifts	(52.356)	(82.550)
Insurance premiums	(83.752)	(79.448)
Trasport, rentals and business trips	(301.052)	(455.341)
Outsourcing	(767.021)	(864.542)
Data registration by third parties	(181.554)	(223.511)
Membership fees	(68.278)	(62.796)
Outsourcing within Group	(50.000)	(90.000)
Outsourcing outside the Group	(65.300)	(66.304)
Other	(361.619)	(311.429)
Total	**(5.452.899)**	**(6.196.366)**

Section 11 *Net accruals to provisions for risks and charges*

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	31/12/2020	31/12/2019
Net accruals for credit risk inherent commitments to grant funds and given financial guarantees	(40.108)	146.374	106.266	542.888

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	31/12/2020	31/12/2019
Net accruals to other provisions for risks and charges: composition	**(266.000)**	**60.022**	**(205.978)**	**(3.892.970)**
a) legal disputes	(266.000)	60.022	(205.978)	(3.892.970)
b) other	-	-	-	-

Section 12 *Depreciation and net impairment losses on property and equipment*

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	(1.657.392)	-	-	(1.657.392)
- Owned	(162.401)	-	-	(162.401)
- Rights of use under leasing	(1.494.991)	-	-	(1.494.991)
A.2 Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use under leasing	-	-	-	-
A.3 Surplus	-	-	-	-
Total	**(1.657.392)**	**-**	**-**	**(1.657.392)**

Section 13 *Ammortization and net impairment losses on intangible assets*

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	**(121.835)**	**-**	**-**	**(121.835)**
1.1 owned	(121.835)	-	-	(121.835)
1.2 under finance lease	-	-	-	-
2. Assets under finance lease	-	-	-	-
3. Assets under operating lease	-	-	-	-
Total	**(121.835)**	**-**	**-**	**(121.835)**

Section 14 *Other operating income*

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

14.1 Other operating expenses: composition

	31/12/2020	31/12/2019
- contingent liabilities	(84.696)	(52.997)
- other	(2.808)	(1.534)
Total	**(87.504)**	**(54.531)**

14.2 Other operating income: composition

	31/12/2020	31/12/2019
- recovery of taxes	148.402	162.501
- recovery of costs	356.302	280.535
- income for IT services rendered	244.482	404.000
- increases in internally generated fixed assets	196.039	256.430
- others	392.844	777.860
Total	**1.338.069**	**1.881.326**

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 73.108.

Section 18 *Net gaing on the sale on investments*

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

18.1 Net gain on the sale of investments: composition

	31/12/2020	31/12/2019
1. Buildings	**-**	**-**
1.1 Gains	-	-
1.2 Losses	-	-
2. Other assets	**6.528**	**8.772**
2.1 Gains	16.360	11.096
2.2 Losses	(9.832)	(2.324)
Net result	**6.528**	**8.772**

Section 19 *Income taxes*

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

	31/12/2020	31/12/2019
1. Current taxes (-)	(544.209)	(1.751.780)
2. Change in current taxes from previous years (+/-)	-	-
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year due to tax assets as per Law no. 214/2011	-	-
4. Change in deferred tax assets (+/-)	(3.073.620)	(736.049)
5. Change in deferred tax liabilities (+/-)	(162)	(31)
6. Tax expenses for the year	**(3.617.991)**	**(2.487.860)**

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	**11.583.617**
IRES	
Theoretical tax expense	3.185.495
Irap deductibility 10 % and cost of work (-)	-6.872
ACE – Aiuto alla crescita economica	-305.578
Altre changes (+/-)	98.571
TOTAL IRES	**2.971.616**
IRAP	
Theoretical tax expense	645.207
Personnel expenses	24.988
Administrative expenses	30.373
Ammortization of tangigle/intangible assets	9.910
Other expenses/income	-64.103
TOTAL IRAP	**646.375**
TOTAL TAXES	**3.617.991**

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

The account relating to caption 290 is illustrated in this section.
The section has no amounts.

Section 21 *Income Statement: Other Information*

21.1 Breakdown of interest and commission income

Captions/counterparties	Interest income			Commission income			31/12/2020	31/12/2019
	Banks	Financial Institutions	Customers	Banks	Financial Institutions	Customers		
1. Financial leases	-	-	-	-	-	-	-	-
- Real estate	-	-	-	-	-	-	-	-
- Moveable property	-	-	-	-	-	-	-	-
- Operating assets	-	-	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**49.867**	**2.219.132**	**16.967.364**	**44.651**	**945.903**	**20.851.796**	**41.078.713**	**48.070.585**
- Current accounts	49.012	2.219.018	11.706.344	25.344	609.916	18.605.766	33.215.400	38.264.627
- Future loans and receivables	-	-	490.235	-	-	555.009	1.045.244	2.411.430
- Loans and receivables purchased outright	-	-	-	-	-	-	-	-
- loans and receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- other financing	855	114	4.770.785	19.307	335.987	1.691.021	6.818.069	7.394.528
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special purpose loans	-	-	-	-	-	-	-	-
- salary backed loans	-	-	-	-	-	-	-	-
4. Pawn loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**49.867**	**2.219.132**	**16.967.364**	**44.651**	**945.903**	**20.851.796**	**41.078.713**	**48.070.585**

21.2 Other information

Breakdown of interest and similar expense.

Forma tecnica	Amount
Current account overdrafts	(85.772)
Advances under reserve	(9.848)
Hot money	(159.180)
Foreign currency advances	(1.387.513)
Negative interests on assets	-
Interests related to lease liabilities	(50.666)
Other interest	-
Total	**(1.692.979)**

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	31/12/2020			31/12/2019		
	Gross amount	Impairment losses	Carrying amount	Gross amount	Impairment losses	Carrying amount
1. Performing assets	**2.380.055.010**	**4.007.172**	**2.376.047.838**	**2.212.197.345**	**1.699.583**	**2.210.497.762**
- exposures to assignors (with recourse)	1.664.295.646	2.940.623	1.661.355.023	1.607.756.138	1.331.792	1.606.424.346
- future loans and receivables	42.646.162	204.356	42.441.806	53.956.717	95.812	53.860.905
- other	1.621.649.484	2.736.267	1.618.913.217	1.553.799.421	1.235.980	1.552.563.441
- exposures to assigned debtors (without recourse)	715.759.364	1.066.549	714.692.815	604.441.207	367.791	604.073.416
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	715.759.364	1.066.549	714.692.815	604.441.207	367.791	604.073.416
2. Impaired assets	**15.766.194**	**12.709.527**	**3.056.667**	**44.625.269**	**32.804.324**	**11.820.945**
2.1 Bad loans exposures	**7.274.547**	**7.147.997**	**126.550**	**10.705.968**	**10.471.814**	**234.154**
- exposures to assignors (with recourse)	5.280.904	5.154.354	126.550	8.478.964	8.244.810	234.154
- future loans and receivables	329.834	324.267	5.567	339.834	323.411	16.423
- other	4.951.070	4.830.087	120.983	8.139.130	7.921.399	217.731
- exposures to assigned debtors (without rerecourse)	1.993.643	1.993.643	-	2.227.004	2.227.004	-
- purchased for less that their nominal amount	-		-	12.103	12.103	-
- other	1.993.643	1.993.643	-	2.214.901	2.214.901	-
2.2 Unlikely-to-pay exposures	**8.482.450**	**5.560.702**	**2.921.748**	**33.134.325**	**22.261.863**	**10.872.462**
- exposures to assignors (with recourse)	5.477.130	3.355.166	2.121.964	30.723.826	20.944.387	9.779.439
- future loans and receivables	3.957.163	2.041.863	1.915.300	11.133.999	6.986.512	4.147.487
- other	1.519.967	1.313.303	206.664	19.589.827	13.957.875	5.631.952
- exposures to assigned debtors (without recourse)	3.005.320	2.205.536	799.784	2.410.499	1.317.476	1.093.023
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	2.410.499	1.317.476	1.093.023	2.410.499	1.317.476	1.093.023
2.3 Impaired past due exposures	**9.197**	**828**	**8.369**	**784.976**	**70.647**	**714.329**
- exposures to assignors (with recourse)	9.197	828	8.369	784.976	70.647	714.329
- future loans and receivables	-	-	-	16.938	1.524	15.414
- other	9.197	828	8.369	768.038	69.123	698.915
- exposures to assigned debtors (without recourse)	-	-	-	-	-	-
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	-	-	-	-	-	-
Total	**2.395.821.204**	**16.716.699**	**2.379.104.505**	**2.256.822.614**	**34.503.907**	**2.222.318.707**

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	31/12/2020			31/12/2019		
	Gross amount	Impairment losses	Carrying a-mount	Gross amount	Impairment losses	Carrying a-mount
1. Performing assets	216.704.395	740.830	215.963.565	93.563.467	165.363	93.398.104
2. Impaired assets	36.257	36.257	-	1.178.699	1.178.699	-
2.1 Bad loans	36.257	36.257	-	1.178.699	1.178.699	-
2.2 Unlikely-to-pay exposure	-	-	-	-	-	-
2.3 Impaired past due exposures	-	-	-	-	-	-
Total	**216.740.652**	**777.087**	**215.963.565**	**94.742.166**	**1.344.062**	**93.398.104**

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	31/12/2020		31/12/2019	
	Advances	Outstanding	Advances	Outstanding
- on demand	112.057.269	257.691.743	134.125.137	298.679.480
- up to 3 months	1.182.854.011	1.472.616.658	1.165.702.178	1.496.249.493
- from 3 to 6 months	255.689.583	341.296.331	155.587.978	251.325.733
- from 6 months to 1 year	95.336.319	149.659.014	124.325.935	146.911.411
- after 1 year	17.674.724	4.248.576	37.411.040	38.999.246
- open item	-	-	-	-
Total	**1.663.611.906**	**2.225.512.322**	**1.617.152.268**	**2.232.165.363**

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 2020 amounts to Euro 119.755.189.

B.2.2 – Factoring transactions without recourse: exposures

By maturity	Exposures	
	31/12/2020	31/12/2019
- on demand	1.507.861	7.170.844
- up to 3 months	432.039.146	443.291.575
- from 3 to 6 months	144.411.819	71.663.745
- from 6 months to 1 year	61.626.998	74.017.782
- after 1 year	75.906.775	9.022.493
- open item	-	-
Total	**715.492.599**	**605.166.439**

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. At the same time it is specified that the total receivables relating to the transfer of receivables made outside of Law 52/91 as at 31 December 2020 amount to Euro 100.318.000.

B.3 – OTHER INFORMATION

B.3.1 – Turnover of receivables subject to factoring operations

	31/12/2020	31/12/2019
1. Transactions without recourse	2.407.239.882	3.204.828.241
- including purchased for less than their nominal amount	-	-
2. Transactions with recourse	8.976.244.818	10.023.072.670
Total	**11.383.484.700**	**13.227.900.911**

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”.

	31/12/2020	31/12/2019
- Without recourse	292.983.169	-
- With recourse	223.310.563	237.197.502
Total	**516.293.732**	**237.197.502**

B.3.2 – Collection services

The company did not perform collection only services in 2020 and 2019.

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

	31/12/2020	31/12/2019
- Contracts to purchase future loans and receivables during the year	234.481.265	250.614.916
- Loans and receivables at the reporting date	285.765.758	262.926.122

D. – GUARANTEES GIVEN AND COMMITMENTS

D.1 – Breakdown of guarantees given and commitments

	31/12/2020	31/12/2019
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	**317.433.854**	**328.543.708**
a) Banks	3.431	143.524
i) certain use	-	-
ii) uncertain use	3.431	143.524
b) Financial Institutions	182.108	10.823.881
i) certain use	-	-
ii) uncertain use	182.108	10.823.881
c) Customers	317.248.315	317.576.303
i) certain use	56.890.612	425.662
ii) uncertain use	260.357.703	317.150.641
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	**317.433.854**	**328.543.708**

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), on committed lines issued to customers of high standing and on commitments to pay in relation to the Confirming product.

The balance of Euro 260.543.242 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 – INANCING 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 regarding 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 - based on 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 Bad loans 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 "Bad loans" 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"

Changes due to Covid-19

Assessment of the significant increase in SICR credit risk

In order to mitigate the increase in credit risk due to the pandemic, rigorous risk control actions were implemented during the year, with measures to reduce the activities most affected by the lockdown, and verifying, for each customer position , the related company performance and the stock of assigned receivables. There have been numerous requests for extensions and repayment plans by the assigned debtors (within the 90 days), which were handled according to company procedures. On the other hand, the requests for moratoriums from the Assignors were almost nil and, the few received, were found to be inconsistent with the provisions of the Law.
Non-notification transactions were carefully managed and, where it was deemed necessary to protect existing and future risks, "transformed" into notified transactions. As part of the structures of groups with a distribution chain (eg importer of cars with related debtors transferred "dealers"), significant interventions have been granted by the Assignors, and carefully evaluated by Factorit, which have resulted in widespread extensions on the maturities of the credits already sold, in support of product stocks.
The company did not participate in the extraordinary customer support plans resulting from the crisis.

Measurement 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.
In general, the macroeconomic scenarios contain forecasts for the evolutionary dynamics of dozens of macro-factors, developed over multi-year time horizons and updated on a generally quarterly basis in market conditions considered standard[1] and are made objects of specific analysis, discussion and approval in dedicated managerial committees. They are characterized by different degrees of adversity/favor of the evolution of the general macroeconomic context.
For the purposes of estimating write-downs, they are normally considered: a base scenario, defined on the basis of the "central" evolutionary trend of the macro-economic variables with respect to their observed value at the initial time of the estimate and which should therefore be configured as the one whose realization is in general line considered to be more likely and future-oriented, and two so-called scenarios "alternatives" - "adverse" and "favorable" scenario - which, on the other hand, underlie evolutions in a respectively more unfavorable/favorable direction, both considered plausible and not extreme, of the macroeconomic context. The relevance with which these individual scenarios are incorporated in the final calculation of the devaluation is modulated on the basis of an appropriate set of weight ratios, which generally depend on the estimate of the severity assigned to each scenario by the external supplier, suitably processed and made subject of specific internal analyzes.
Following the COVID-19 pandemic and its progressive spread on a global scale, the year recently ended was characterized by an unprecedented deterioration observed in the macroeconomic context, which was followed by a simultaneous extreme volatility observed in the macroeconomic forecasts of leading national and international research institutes.
In this regard, it should be noted that the Company has adopted, for the calculation of the devaluation of December 2020, the following three different macro scenarios and the respective weight factors:

- a baseline scenario, corresponding to the counterpart issued by the official supplier on the occasion of the last forecast report available on the date of calculation of the collective devaluation, to which a probability coefficient equal to 75% is attributed;

[1] However, these estimates are subject to ad-hoc updates if the provider identifies elements of atypical and / or particular turbulence in the general macro-economic context.

- a (slightly) adverse scenario, corresponding to the same scenario issued by the official supplier on the occasion of the last forecast report available at the date of the calculation of collective write-downs, to which a probability coefficient equal to 15% is attributed;
- a (slightly) favorable[2] scenario, corresponding to the same scenario issued by the official supplier on the occasion of the last forecast report available at the date of the calculation of collective write-downs, to which a probability coefficient equal to 10% is attributed.

The table below shows the evolutionary dynamics of the main macro factors (gross domestic product, unemployment and inflation) for each of the aforementioned scenarios over a three-year forecast horizon.

Table 1 - Annual forecasts for the main macro variables

Variable Macro	Base scenario December 2020			Adv. scenario December 2020			Fav. scenario December 2020		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
GDP Italy (% on an annual basis)	-9.6%	6.2%	2.8%	-9.8%	5.0%	3.0%	-9.4%	7.6%	2.8%
Unemployment Italy	9.8%	11.3%	10.8%	9.9%	12.6%	12.3%	9.8%	10.2%	8.7%
Inflation Italy (% on an annual basis)	-0.1%	0.7%	1.1%	-0.1%	0.5%	0.9%	0.0%	0.8%	1.2%

In order to quantify the variability introduced in the final level of write-downs by all the scenario-dependency components explicitly considered within its methodological framework, the Company has also taken steps, in accordance with both industry best practices and the most recent recommendations issued by the supervisory authorities [3], to carry out specific sensitivity analysis on the level of impairment of its performing exposures, the results of which are summarized in the tables below.
In particular, the different levels of write-downs that correspond to the three individual scenarios - basic, favorable and adverse - used for the calculation of the official value, as well as the one weighted on the basis of the aforementioned probabilistic coefficients.

[2] It is important to specify how, despite the definition of a "favorable" scenario, the parameterizations of this scenario configure evolutionary dynamics in any case extremal with respect to conditions considered "standard", as can be seen from Table 1.
[3] See for example the paper ESMA32 -63 - 791 of 22 October 2019.

Table 2 - Write-downs (in € / million) at 31 December 2020 for the Company's performing portfolio positions associated with different macroeconomic scenarios

Management Macrosegment	Stage	Fav. Scenario	Base Scenario	Adv. Scenario	Weighted Scenario
Health care	Stage 01	84.3	91.1	99.1	91.6
	Stage 02	15.4	16.9	18.6	17.0
	Total	**99.7**	**108.0**	**117.7**	**108.6**
Not expected	Stage 01	762.2	838.2	926.6	843.9
	Stage 02	18.4	20.3	22.5	20.5
	Total	**780.6**	**858.5**	**949.1**	**864.4**
Trade	Stage 01	939.9	985.3	1.035.8	988.3
	Stage 02	17.1	17.9	18.7	17.9
	Total	**957.0**	**1,003.2**	**1,054.5**	**1,006.2**
Agriculture / Industry / Services	Stage 01	2,599.2	2,690.3	2,788.3	2,695.9
	Stage 02	78.9	80.4	81.8	80.4
	Total	**2,678.1**	**2,770.7**	**2,870.1**	**2,776.3**
Construction	Stage 01	351.2	362.2	372.4	362.6
	Stage 02	0.0	0.0	0.0	0.0
	Total	**351.2**	**362.2**	**372.4**	**362.6**
Central Administration	Stage 01	30.8	34.4	38.5	34.6
	Stage 02	0.0	0.0	0.0	0.0
	Total	**30.8**	**34.4**	**38.5**	**34.6**
Total	Stage 01	4,767.7	5,001.6	5,260.7	5,017.1
	Stage 02	129.7	135.4	141.7	135.8
	Total	**4,897.4**	**5,137.0**	**5,402.4**	**5,152.9**

Dually, the following table shows the value of the write-downs that would be obtained in correspondence with four different choices of probabilistic coefficients[4] with respect to the official one adopted.

Table 3 - Write-downs (in € / million) at 31 December 2020 for the performing positions of the Company's loan portfolio associated with different weightings of the macroeconomic scenarios

Management Macrosegment	Stage	Fav. Scenario	Base Scenario	Adv. Scenario	Weighted Scenario
Health care	Stage 01	89.9	90.6	91.4	93.1
	Stage 02	16.6	16.7	16.9	17.3
	Total	**106.5**	**107.3**	**108.3**	**110.4**
Not expected	Stage 01	824.3	831.9	841.3	860.3
	Stage 02	20.0	20.2	20.4	20.9
	Total	**844.3**	**852.1**	**861.7**	**881.2**
Trade	Stage 01	976.7	981.3	986.6	997.9
	Stage 02	17.7	17.8	17.9	18.1
	Total	**994.4**	**999.1**	**1,004.5**	**1,016.0**
Agriculture / Industry / Services	Stage 01	2,672.8	2,681.9	2,692.1	2,714.8
	Stage 02	80.1	80.2	80.3	80.7
	Total	**2,752.9**	**2,762.1**	**2,772.4**	**2,795.5**
Construction	Stage 01	359.9	361.0	362.0	364.7
	Stage 02	0.0	0.0	0.0	0.0
	Total	**359.9**	**361.0**	**362.0**	**364.7**
Central Administration	Stage 01	33.7	34.1	34.5	35.4
	Stage 02	0.0	0.0	0.0	0.0
	Total	**33.7**	**34.1**	**34.5**	**35.4**
Total	Stage 01	4,957.3	4,980.7	5,007.9	5,066.4
	Stage 02	134.3	134.9	135.6	137.0
	Total	**5,091.6**	**5,115.6**	**5,143.5**	**5,203.4**

Finally, with reference to the determination of expected losses on exposures classified in stage 3, ie on impaired exposures, reference is made to what is illustrated in "Part A - Accounting policies". More specifically, as at 31 December 2020 the expected losses on impaired loans are determined analytically on the basis of recovery forecasts, discounted according to the original effective interest rates and the related recovery timeframe. Considering that the recovery forecasts refer to the specific situation of the debtor, it is considered not significant to provide a reasonable sensitivity analysis of the expected losses.

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.

[4] The weighting values for the base, adverse and favorable scenarios are respectively 60% -10% -30% (weighted alternative scenario 1), 70% -10% -20% (weighted alternative scenario 2), 50% - 25% -25% (weighted alternative scenario 3) and 75% -25% -0% (weighted alternative scenario 4).

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 Bad loans 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 Bad loans 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.

New definition of default

As required by IAS 8, the disclosure is provided below with reference to the new European rules on the classification of counterparties in default (so-called New DoD) that the Banca Popolare di Sondrio Group applies starting from 1 January 2021.
The new discipline, introduced by the European Banking Authority (EBA) and implemented at national level by the Bank of Italy, establishes different criteria and methods for classification by default compared to those adopted so far by Italian intermediaries, with the aim of harmonizing approaches for applying the definition of default and identifying conditions of unlikely fulfillment between financial institutions and the different jurisdictions of EU countries.
In view of the entry into force of the new discipline, considering the transversal and pervasive nature of the issue, the Group has started starting in 2019 a specific program of activities that involved various project areas, from credit management processes to internal models of rating, from supervisory reports to IT structures, and which concerned:

- initial assessment aimed at identifying gaps with respect to the new regulatory requirements in terms of ''default'' classification;
- definition of a remediation plan aimed at overcoming the identified gaps and consequently updating the processes and applications impacted;
- provision of specific training sessions aimed at promoting knowledge of all resources regarding the changes introduced by the legislation and the new management processes adopted by the Group.

The company, especially during the current year, in the face of the continuous analyzes has adapted the processes and its management and reporting system by monitoring, starting from the second half, in synergy with the Parent Company, through a parallel the first results and the resulting impacts by the new classification methods. The centralization of the software for the application of the new rules at the Parent Company, powered by all the Group companies and the new operating processes, guarantee uniformity of default classification within the Group. The adaptation of the monitoring process of overdue exposures, based on the results obtained also from the aforementioned parallel, which provides for preventive activities with respect to the classification, allows to reduce the impact due to the new rules. At the time of the preparation of the financial statements, there were no significant exposures classified in the new past-due.

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	Bad loans exposures	Unlikely-to-pay exposures	Impaired pastdue exposures	Unpaired past due exposures	Other unpaired assets	Total
1. Financial assets measured at amortised cost	126.550	3.232.327	13.507	31.902.697	2.576.604.196	2.611.879.277
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	-	-	-	-	-	-
31/12/2020	**126.550**	**3.232.327**	**13.507**	**31.902.697**	**2.576.604.196**	**2.611.879.277**
31/12/2019	**234.153**	**11.788.059**	**714.531**	**76.658.108**	**2.240.730.873**	**2.330.125.724**

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	19.098.920	15.726.536	3.372.384	49.986.003	2.613.327.078	4.820.185	2.608.506.893	2.611.879.277
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 31/12/2020	**19.098.920**	**15.726.536**	**3.372.384**	**49.986.003**	**2.613.327.078**	**4.820.185**	**2.608.506.893**	**2.611.879.277**
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**

Portfolio/quality	Assets with poor credit quality	Other assets	Total
1.Financial assets held for trading	-	-	**-**
2.Hedging derivatives	-	-	**-**
31/12/2020	**-**	**-**	**-**
31/12/2019	**-**	**-**	**-**

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	22.024.705	3.957.664	4.468.823	753.471	698.013	-	14.553	194	3.354.914
2. Financial assets measured at fair value through OCI									
Total 31/12/2020	**22.024.705**	**3.957.664**	**4.468.823**	**753.471**	**698.013**	**-**	**14.553**	**194**	**3.354.914**
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**

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	**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**
Changes from purchased or originated credit impaired financial assets (+)																	
Cancellations different from write-off	(1.677.133)			(1.677.133)	(12.240)			(12.240)	(4.032.909)		(4.032.909)						(5.722.282)
Net impairment losses for credit risk (+/-)	4.609.809			4.609.809	(18.487)			(18.487)	6.588.077		6.588.077			34.994	5.114	(146.374)	11.073.133
Contractual variances without cancellation																	
Changes in the estimation methodology																	
Write-off									(23.233.378)		(23.233.378)		(12.103)				(23.233.378)
Other	(9)			(9)					9		9						
Overall closing adjustments	**4.669.928**			**4.669.928**	**150.257**			**150.257**	**15.726.536**		**15.726.536**		**-**	**324.897**	**8.046**	**203.300**	**21.082.964**
Recoveries from collection of financial assets subject to write-off									424.933		424.933						424.933
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 (gross and nominal values)

Portafolio/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	8.507.194	25.847.934	3.336	-	18.345	44
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-
3. Commitments to grant funds and financial gurantees given	2.434.037	520	3.695	-	125.240	36.956
Total 31/12/2020	**10.941.231**	**25.848.454**	**7.031**	**-**	**143.585**	**37.000**
Total 31/12/2019	**68.543.366**	**11.088.988**	**264.912**	**15.002.936**	**7.728.980**	**2.573.568**

The amount disclosed as a transfer from second to first stage includes, for approximately 24.5 million euros, a single exposure whose risk is within the initial parameters.

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) Bad loans 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		3.033.604	(7.176)	3.026.428	
- including: forborne exposures					
e) Other assets		95.974.259	(394.095)	95.580.164	
- including: forborne exposures					
TOTAL A	**-**	**99.007.863**	**(401.271)**	**98.606.592**	
B. OFF BALANCE SHEET EXPOSURES					
a) Impaired					
b) Not impaired		185.542	(608)	184.934	
TOTAL B		**185.542**	**(608)**	**184.934**	
TOTAL A+B	**-**	**99.193.405**	**(401.879)**	**98.791.526**	

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	Bad loans exposures	Unlikely-to pay exposures	Impaired past-due exposures
A. Initial gross exposure	-	-	-
- 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			
C.1 to non-impaired exposures			
C.2 write-off			
C.3 receipts			
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	Bad loans 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	-	-	-	-	-	
- of which: not canceled sold exposures						
B. Increase						
B.1 from purchased or originated credit impaired financial assets						
B.2 other adjustments						
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						
C.1 valuation value gains						
C.2 recovery receipts						
C.3 Profit from disposals						
C.4 write-off						
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) Bad loans exposures	7.320.489		(7.193.939)	126.550	29.015.267
- of which: forborne exposures	-		-	-	
b) Unlikely-to-pay exposures	11.757.887		(8.525.560)	3.232.327	20.968.969
- of which: forborne exposures	133.857		(48.421)	85.436	
c) Impaired past due exposures	20.544		(7.037)	13.507	
- of which: forborne exposures					
d) Not impaired past due exposures		29.002.961	(126.692)	28.876.269	
- of which: forborne exposures		-	-	-	
e) Other assets		2.485.316.254	(4.292.222)	2.481.024.032	1.767
- of which: forborne exposures		4.566.617	(16.987)	4.549.630	
TOTAL A	**19.098.920**	**2.514.319.215**	**(20.145.450)**	**2.513.272.685**	**49.986.003**
B.OFF BALANCE SHEET EXPOSURES					
a) Impaired	294.911	-	(203.300)	91.611	
b) Non-impaired	-	1.006.116.818	(332.335)	1.005.784.483	
TOTAL B	**294.911**	**1.006.116.818**	**(535.635)**	**1.005.876.094**	
TOTAL A+B	**19.393.831**	**3.520.436.033**	**(20.681.085)**	**3.519.148.779**	**49.986.003**

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

Causali/Categorie	Bad Loans	Unlikely-to-pay exposures	Impaired past due exposures
A. Initial gross exposure	**11.884.756**	**36.471.525**	**785.199**
- of which: not canceled sold exposures			
B. Increases	**916.673**	**5.855.585**	**126.532**
B.1 from not-impaired exposures	40.362	963.568	17.978
B.2 from impaired financial assets or impaired exposure	-	-	-
B.3 transfers to other categories of impaired exposures	403.455	-	-
B.4 contractual variances without cancellation	-	-	-
B.5 other	472.856	4.892.017	108.554
C. Decreases	**5.480.940**	**30.569.223**	**891.187**
C.1 to not-impaired exposures	-	-	-
C.2 write-off	2.605.253	20.628.125	-
C.3 receipts	2.847.059	8.382.865	401.830
C.4 Profit from disposals	-	-	-
C.5 Losses from disposals	-	-	-
C.6 transfers to other categories of impaired exposures	-	403.455	-
C.7 contractual variances without cancellation	-	-	-
C.8 other	28.628	1.154.778	489.357
D. Final gross exposure	**7.320.489**	**11.757.887**	**20.544**
- 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	**1.158.503**	**8.408.315**
- of which: not canceled sold exposures		
B. Increases	**133.093**	**43.846.564**
B.1 from not-impaired non-forborne exposures	133.093	43.846.564
B.2 from not-impaired forborne exposures	-	-
B.3 from impaired forborne exposures	-	-
B.4 other	-	-
C. Decreases	**1.157.739**	**47.688.262**
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	1.155.929	47.688.262
C.6 Profit from disposals	-	-
C.7 Losses from disposals	-	-
C.8 other	1.810	-
D. Final gross exposure	**133.857**	**4.566.617**
- of which: not canceled sold exposures		

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

Categories	Bad loans 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	**11.650.603**	**-**	**24.683.466**	**209.177**	**70.668**	**-**
- of which: not canceled sold exposures						
B. Increases	**492.226**	**-**	**6.529.724**	**48.286**	**7.024**	**-**
B.1 value adjustments purchased or originated credit impaired financial assets	-		-	-	-	
B.2 other value adjustments	278.927		6.529.724	48.286	7.024	
B.3 Losses from disposals						
B.4 transfers to other categories of impaired exposures	213.294					
B.5 contractual variances without cancellation						
B.6 other	5		-		-	
C. Decreases	**4.948.890**	**-**	**22.687.630**	**209.042**	**70.655**	**-**
C.1 valuation value gains	56.754		101.719	2.440	69.123	
C.2 recovery receipts	2.286.883		1.744.492	206.602	1.532	
C.3 Profit from disposals						
C.4 write-off	2.605.253		20.628.125			
C.5 Transfers to other categories of impaired exposures			213.294			
C.6 contractual variances without cancellation						
C.7 other						
D. Final total adjustments	**7.193.939**	**-**	**8.525.560**	**48.421**	**7.037**	**-**
- 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 31/12/2020
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	**6.225.978**	**286.516.485**	**333.111.869**	**133.350.932**	**25.246.671**	**162.337**	**1.847.811.726**	**2.632.425.998**
- First stage	6.225.978	286.516.485	330.946.428	130.127.432	9.315.620	162.337	1.789.533.484	2.552.827.764
- Second stage			2.165.441	3.223.500	15.931.051	-	39.179.322	60.499.314
- Third stage	-	-		-	-	-	19.098.920	19.098.920
B. Financial assets measured at fair value through OCI								
- First stage								
- Second stage								
- Third stage								
Total (A + B)	**6.225.978**	**286.516.485**	**333.111.869**	**133.350.932**	**25.246.671**	**162.337**	**1.847.811.726**	**2.632.425.998**
Of which: purchased or originated credit impaired financial assets								
C. Commitments to grant funds and financial guarantees given	**6.601.576**	**119.310.723**	**142.709.913**	**45.292.746**	**10.268.879**	**-**	**682.413.434**	**1.006.597.271**
- First stage	6.601.576	119.310.723	141.612.762	42.205.491	9.427.126	-	675.669.525	994.827.203
- Second stage	-	-	1.097.151	3.087.255	841.753	-	6.448.999	11.475.158
- Third stage	-	-	-	-	-	-	294.910	294.910
Total (C)	**6.601.576**	**119.310.723**	**142.709.913**	**45.292.746**	**10.268.879**	**-**	**682.413.434**	**1.006.597.271**
Total (A + B + C)	**12.827.554**	**405.827.208**	**475.821.782**	**178.643.678**	**35.515.550**	**162.337**	**2.530.225.160**	**3.639.023.269**

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 Bad loans exposures	-	-	-	-	397.451	-	-	-	-	-	-	-	126.550	6.710.522	-	-	85.966	-
Of which: forborne exposures													-	-				
A.2 Unlikely to pay exposures	-	-	-	274.733	131.729	-	-	-	-	-		-	2.950.320	8.359.331	-	7.274	34.500	-
Of which: forborne exposures													85.436	48.421		-	-	
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-	13.147	4.450	-	360	2.587	-
Of which: forborne exposures													-	-				
A.4 Other exposures	-	-	-	343.523.091	-	259.591	68.493.514	-	316.874	30.113.078	-	84.397	2.147.859.827		4.042.103	18.517.383		117.220
Of which: forborne exposures													-	-		4.549.630		16.987
Total A	**-**	**-**	**-**	**343.797.824**	**529.180**	**259.591**	**68.493.514**	**-**	**316.874**	**30.113.078**	**-**	**84.397**	**2.150.949.844**	**15.074.303**	**4.042.103**	**18.525.017**	**123.053**	**117.220**
B. Off-balance sheet exposures																		
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-	-		73.738	175.076		17.873	28.224	
B.2 Other exposures	-	-	-	3.402.529	-	5.118	3.432	-	-	181.504	-	607	984.670.544		323.505	17.711.410		3.712
Total B	**-**	**-**	**-**	**3.402.529**	**-**	**5.118**	**3.432**	**-**	**-**	**181.504**		**607**	**984.744.282**	**175.076**	**323.505**	**17.729.283**	**28.224**	**3.712**
Total 31/12/2020	**-**	**-**	**-**	**347.200.353**	**529.180**	**264.709**	**68.496.946**	**-**	**316.874**	**30.294.582**	**-**	**85.004**	**3.135.694.126**	**15.249.379**	**4.365.608**	**36.254.300**	**151.277**	**120.932**
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**

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 Bad loans exposures	126.550	6.520.041	-	673.898	-	-	-	-	-	-
A.2 Unlikely-to-pay exposures	3.232.327	8.525.560	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	13.507	7.037	-	-	-	-	-	-	-	-
A.4 Other exposures	2.299.823.253	3.984.751	188.450.388	765.227	93.021.459	33.804	11.753.372	10.682	15.458.421	25.721
Total A	**2.303.195.637**	**19.037.389**	**188.450.388**	**1.439.125**	**93.021.459**	**33.804**	**11.753.372**	**10.682**	**15.458.421**	**25.721**
B. Off balance sheet exposures										
B.1 Impaired exposures	91.611	203.300	-	-	-	-	-	-	-	-
B.2 Other exposures	970.951.494	300.516	34.772.129	32.118	106.180	36	80.731	191	58.885	81
A. On balance sheet exposures	**971.043.105**	**503.816**	**34.772.129**	**32.118**	**106.180**	**36**	**80.731**	**191**	**58.885**	**81**
Total 31/12/2020	**3.274.238.742**	**19.541.205**	**223.222.517**	**1.471.243**	**93.127.639**	**33.840**	**11.834.103**	**10.873**	**15.517.306**	**25.802**
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**

In details, net on-balance exposures towards customers belonging to the category “rest of the world” refer to counterparties resident in Australia and Egypt.

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

31/12/2020	North West Italy		Nord East Italy		Centre Italy		South Italy		Italy's Islands	
Credit quality	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										
Bad loans exposures	34.068	2.355.365	-	657.568	43.457	1.006.734	42.564	2.482.907	6.461	17.467
Unlikely-to-pay exposures	293.252	1.458.363	645.249	4.099.855	2.262.912	2.883.979	20.302	38.836	10.612	44.527
Impaired pastdue exposures	126	12	7.890	780	3.036	300	353	35	2.102	5.909
Other operations	1.293.962.823	2.158.821	348.390.692	774.579	526.964.583	790.969	67.709.419	156.659	62.795.736	103.724
TOTAL A	**1.294.290.269**	**5.972.561**	**349.043.831**	**5.532.782**	**529.273.988**	**4.681.982**	**67.772.638**	**2.678.437**	**62.814.911**	**171.627**
B. Off balance sheet exposures										
Impaired exposures	61.731	136.792	3.549	5.445	12.754	37.353	7.968	15.298	6.203	9.304
Not-impaired exposures	563.845.523	122.982	209.275.073	96.680	156.678.485	59.193	29.308.609	13.034	11.843.210	7.735
TOTAL B	**563.907.254**	**259.774**	**209.278.622**	**102.125**	**156.691.239**	**96.546**	**29.316.577**	**28.332**	**11.849.413**	**17.039**
(TOTAL A+B) 31/12/2020	**1.858.197.523**	**6.232.335**	**558.322.453**	**5.634.907**	**685.965.227**	**4.778.528**	**97.089.215**	**2.706.769**	**74.664.324**	**188.666**
(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**

9.3 Large exposures

	31/12/2020	31/12/2019
a) Carrying Amount	1.235.568.956	916.910.536
b) Weighted Amount	693.560.665	729.488.378
c) Number	17	18

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 three times the regulatory capital, well below the previous regulatory requirement of eight times; given that it shows an ever-lower concentration of risks.
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.
It should be noted that as at 31 December 2020 the exposures covered by this sureties referred to four primary groups whose overall exposure was equal to 33% of the overall exposures of large risks.

3.2 – MARKET RISKS

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.

It should be noted that the characteristics of Factorit's assets and liabilities are positively affected by 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

In line with the Parent Company's methodology, with respect to interest-bearing assets and liabilities a 200 bp increase in interest rates over twelve months would lead to a decrease of €6 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 an increase of €2 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	**726.178.318**	**1.308.385.520**	**227.735.697**	**131.982.219**	**76.607.123**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	726.178.318	1.308.385.520	227.735.697	131.982.219	76.607.123	-	-	-
1.3 Other Assets	-	-	-	-	-	-	-	-
2. Liabilities	**302.382.417**	**1.929.808.522**	**377.582**	**747.420**	**4.265.370**	**206.693**	**-**	**-**
2.1 Financial liabilities	302.382.417	1.929.808.522	377.582	747.420	4.265.370	206.693	-	-
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	**899.297**	**132.416.806**	**4.013.913**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	899.297	132.416.806	4.013.913	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**90.686**	**132.231.579**	**4.534.123**	**-**				**-**
2.1 Financial liabilities	90.686	132.231.579	4.534.123	-	-	-	-	-
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	**62.729**	**379.445**	**-**	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	62.729	379.445	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**158**	**379.755**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	158	379.755	-	-	-	-	-	-
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	**15.616**	**3.202.594**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	15.616	3.202.594	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**1.110**	**3.186.928**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	1.110	3.186.928	-	-	-	-	-	-
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	**137.330.016**	**442.174**	**-**	**1.989.498**	**12**	**1.228.700**
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Loans and Receivables	137.330.016	442.174	-	1.989.498	12	1.228.700
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	-	-	-	-	-	-
3. Financial liabilities	**136.856.388**	**379.913**	**6**	**1.977.839**	**20**	**1.210.173**
3.1 Debts	136.856.388	379.913	6	1.977.839	20	1.210.173
3.2 Debt instruments	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**135.967**	**20.248**	**-**	**1.620**	**-**	**5.130**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**137.330.016**	**442.174**	**-**	**1.989.498**	**12**	**1.228.700**
Total liabilities	**136.992.355**	**400.161**	**6**	**1.979.459**	**20**	**1.215.303**
Difference (+/-)	**337.661**	**42.013**	**-6**	**10.039**	**-8**	**13.397**

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 2020 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;
- the introduction of a new scenario relating to the potential operational risk losses of extraordinary disbursements attributable to the "Covid-19" pandemic. According to the BPS methodology, the criteria published by the European Banking Authority in the "Report on the implementation of selected Covid-19" (EBA/REP/2020/19 of 07/07/2020 and EBA/REP/2020/39 of 21/12/2020) were taken as reference for the identification and classification of events and operational risk losses attributable to the pandemic emergency (costs of sanitation and purchase of personal protective equipment, costs of adaptation of application and technological equipment, costs for covering essential business functions).

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). Operating losses recorded relate to events: Event Type 4 Customers, products and business practices and Event Type 7 Execution, delivery and management of the process - attributable to non-compliance / negligence relating to the application of laws, codes, rules of conduct 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 common feature that binds all Event Types is that most of the risk events associated with them are concentrated in the lower amount bands (<€ 35,000) and about 50% of risk events are characterized by a very low frequency of occurrence (ten-year, twenty-year), depending on the fact that they have never occurred in company operations.
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 2020, it amounts to Euro 6,3 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 SpA 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	**181.848.274**	**123.943.503**	**157.686.673**	**398.188.333**	**929.412.655**	**421.128.387**	**166.957.251**	**95.674.040**	**890.766**	**445**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments											-
A.3 Financing	181.848.274	123.943.503	157.686.673	398.188.333	929.412.655	421.128.387	166.957.251	95.674.040	890.766	445	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**301.078.689**	**7.223.109**	**1.755.689.178**	**34.961.437**	**132.927.152**	**688.956**	**747.421**	**2.962.783**	**1.302.586**	**206.693**	**-**
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	297.118.396	7.219.204	1.755.598.585	34.789.663	131.672.432	56.439	113.179	457.751	372.848	206.693	-
- Financial institutions	-	-	-	-	2.071	-	-	-	-	-	-
- Customers	3.960.293	3.905	90.593	171.774	1.252.649	632.517	634.242	2.505.032	929.738	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**32.894.525**	**3.826.521**	**5.753.567**	**42.103.491**	**98.898.797**	**53.062.173**	**23.081.438**	**56.595.709**	**-**	**7.523**	**-**
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	32.894.525	3.826.521	5.753.567	42.103.491	98.898.797	53.062.173	23.081.438	56.595.709	-	7.523	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	32.894.525	3.826.521	5.753.567	42.103.491	98.898.797	53.062.173	23.081.438	56.595.709	-	7.523	
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

With regard to liabilities, deposits with Banks are represented by Euro 1.926.464.589 from payables to the Parent Company, while Euro 286.543.655 are due to Banco Bpm SpA 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	**903.733**	**40.263.225**	**30.644.107**	**3.419.900**	**58.162.342**	**4.022.171**		-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	903.733	40.263.225	30.644.107	3.419.900	58.162.342	4.022.171	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**90.687**	**-**	**24.980.896**	**20.962.524**	**86.288.158**	**4.534.123**	**-**	-	-	-	-
B.1 Due to:							-	-	-	-	-
- Banks	90.687	-	24.980.896	20.962.524	86.288.158	4.534.123	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**257.436**		**10.621**	**132.391**	**584.316**	**190.226**	**-**	**-**	**-**	**-**	**-**
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	257.436		10.621	132.391	584.316	190.226	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	257.436		10.621	132.391	584.316	190.226	-	-	-	-	-
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	**62.753**	**25.720**	**101.221**	**152.749**	**100.065**	**-**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	62.753	25.720	101.221	152.749	100.065	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**158**	**-**		**-**	**379.755**	**-**	**-**	-	-	-	-
B.1 Due to:		-	-	-	-		-	-	-	-	-
- Banks	158	-		-	379.755	-	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**5.447**	**2.000**	**2.311**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	5.447	2.000	2.311	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	5.447	2.000	2.311	-	-	-	-	-	-	-	-
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	**15.764**	**159.711**	**1.097.822**	**728.611**	**1.218.500**	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Othe debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	15.764	159.711	1.097.822	728.611	1.218.500	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Liabilities	**1.110**	**-**	**-**	**10.439**	**3.176.489**	**-**	-	-	-	-	-
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	1.110	-	-	10.439	3.176.489	-	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Clustomers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**-**	**-**	**25.362**	**-**	**-**	**-**		-	-	-	-
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	-	-	25.362	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	25.362	-	-	-	-	-	-	-	-
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 thirteen years.

		(million euros)		
2007-2016	**2017**	**2018**	**2019**	**Total**
102,6	9,2	7,8	5,2	124,8

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

Captions	31/12/2020	31/12/2019
1. Share Capital	**85.000.002**	**85.000.002**
2. Share premium	**11.030.364**	**11.030.364**
3. Reserves	**144.902.640**	**139.741.749**
- income related	135.733.438	130.572.549
a) legal	12.441.711	12.183.664
b) statutory		
c) treasury shares		
d) other	123.291.727	118.388.885
- other	9.169.202	9.169.200
4. (Treasury shares)		
5. Valuation reserves	**-550.766**	**-337.081**
- Financial assets measured at fair value through OCI	-166.075	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	-384.691	-368.455
- Portion of revaluation reserves of equity-accounted investees		
6. Equity instruments		
7. Profit for the year	**7.965.626**	**5.160.891**
Total	**248.347.866**	**240.595.925**

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

Assets	31/12/2020		31/12/2019	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt instruments				
2. Equity instruments	31.374	(197.449)	31.374	-
3. Financing	-	-	-	-
Total	**31.374**	**(197.449)**	**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		**(197.449)**	
3.1 Fair value decreases		(197.449)	
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		**(166.075)**	

The difference is due to the adjustment, at the date of preparation of the 2020 financial statements, of the value of the Astaldi S.p.A. shares.

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

	31/12/2020	31/12/2019
A. Common Equity Tier 1 (CET1) before application of prudential filters	**240.382.240**	**235.435.034**
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)	**240.382.240**	**235.435.034**
D. Elements to be deducted from CET1	**692.696**	**386.700**
E. Total Common Equity Tier 1 (CET1) (C – D)	**239.689.544**	**235.048.334**
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)	**239.689.544**	**235.048.334**

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
A. EXPOSURES				
A.1 Credit and counterparty risk	3.651.306.344	3.871.320.899	1.832.033.148	1.956.574.506
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			109.921.989	117.394.470
B.2 Requirement for the provision of payment services				
B.3 Requirement for issuing electronic money				
B.4 Specific prudential requirements			6.291.228	6.701.531
B.5 Total prudential requirements			116.213.217	124.096.001
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1.948.246.365	2.068.267.352
C.2 CET1 / Risk weighted assets (CET 1 Capital ratio)			12.375%	11.365%
C.3 Total Own Funds/Risk weighted assets (Total capital ratio)			12,375%	11,365%

The weighted amount for credit and counterparty risk benefits, for approximately Euro 476 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	31/12/2020	31/12/2019
10	**Profit for the year**	**7.965.626**	**5.160.891**
	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	(272.343)	-
	b) trasfers to other equity components		
70.	Defined benefit plans	(22.394)	(129.772)
100	Income taxes related to other comprehensive income without reversal to income statement	81.052	35.687
190	**Total other comprehensive income**	**(213.685)**	**(94.085)**
200	**Comprehensive income (captions 10+190)**	**7.751.941**	**5.066.806**

Section 6 *Related party transactions*

6.1 Information about managers with strategic responsabilities remuneration

Managers: remuneration Euro 482.014 of which salaries equal to Euro 360.410, bonus and other incentives equal to Euro 30.000, non-monetary benefits for Euro 38.404 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.	11.229.826	286.096.550	397.164	494.424

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.	498	1.015.283	549.004	156.412	96.396	13.200

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	327.513
Ordinary current accounts– Foreign currency	5.735
Tax consolidation receivables	1.007.790
Property and equipment – Rights of use under leasing	1.249.990
Total	**2.591.028**

Due to banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Ordinary current accounts	174.176.149
Hot money	1.750.000.000
Hot money accruals	417
Advances – foreign currency	-
Rateo denaro caldo	-
Prepayments – foreign currency	-
Rateo denaro caldo	-
Commissions to be paid	1.021.902
Supplier invoices	328
Tax consolidation debts	-
Lease liabilities	1.265.793
Total	**1.926.464.589**

Loans and receivables with customers

Sinergia Seconda S.r.l.	Amount
Property and equipment – Rights of use under leasing	4.532.389
Total	**4.532.389**

Liabilities with customers

Sinergia Seconda S.r.l.	Amount
Lease liabilities	4.497.339
Total	**4.497.339**

Costs – banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest expense	228.617
Interest expense lease liabilities	12.726
Depreciation rights of use under leasing	231.272
Fee and commission expense – expense	55.961
Fee and commission expense - factoring	1.021.902
Fee and commission expense – financial guarantees	445.482
Lease expense	7.000
Service contracts	50.000
Directors' fees	36.400
Seconded personnel	-
Total	**2.089.360**

Revenue – banks

Banca Popolare di Sondrio S.c.p.a.	Amount
Interest income – ordinary current accounts	2.788
Seconded personnel	331.591
Total	**334.379**

Costs – customers

Sinergia Seconda S.r.l.	Amount
Lease expense	6.190
Interest expense lease liabilities	36.975
Depreciation rights of use under leasing	1.157.204
Total	**1.200.369**

Costs – customers

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

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 2.340 during 2020, 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 6 million while the lease liabilities to euro 5,9 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 01.01.2020	Depreciation	Other changes	Carrying Amount at 31.12.2020
Properties	7.345.503	(1.439.584)	(1.800)	5.904.119
Cars	69.265	(55.407)	84.062	97.920
Other types				
Total	**7.414.768**	**(1.494.991)**	**82.262**	**6.002.039**

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.

STATEMENT OF FINANCIAL POSITION
(euro)

	Assets	31/12/2019	31/12/2018
10.	Cash and cash equivalents	1.153.027.548	969.358.505
20.	Financial assets at fair value through profit or loss	945.662.146	902.816.282
	a) Financial assets held for trading	225.786.507	263.767.542
	c) Other Financial assets measured at fair value	719.875.639	639.048.740
30.	Financial assets at fair value through OCI	2.590.618.396	4.423.027.149
40.	Financial assets at amortised cost	30.415.372.211	29.409.225.554
	a) Loans and Receivables with banks	2.365.908.344	2.217.280.673
	b) Loans and Receivables with customers	28.049.463.867	27.191.944.881
70.	Equity investments	620.398.948	562.154.499
80.	Property and equipment	400.238.077	186.740.161
90.	Intangible assets	14.167.977	14.762.412
100.	Tax assets	369.299.404	414.827.084
	a) Current	-	26.977.883
	b) Deferred	369.299.404	387.849.201
120	Other assets	271.318.957	283.741.717
	Total assets	**36.780.103.664**	**37.166.653.363**

	Liabilities and equity	31/12/2019	31/12/2018
10.	Financial liabilities measured at amortised cost	33.139.673.205	33.770.793.630
	a) Due to banks	3.456.147.384	5.480.393.123
	b) Due to customers	26.899.672.395	25.877.854.869
	c) Securities issued	2.783.853.426	2.412.545.638
20.	Financial liabilities held for trading	33.865.539	42.532.267
60.	Tax liabilities	33.716.521	15.058.256
	a) current	13.203.226	-
	b) deferred	20.513.295	15.058.256
80.	Other liabilities	777.619.715	710.725.874
90.	Post-employment benefits	41.237.849	40.637.713
100.	Provisions for risks and charges	236.419.095	220.085.911
	a) Commitments and gurantees given	42.790.027	45.018.292
	b) Pension and similar provisions	152.526.396	139.028.680
	c) Other Provisions for risks and charges	41.102.672	36.038.939
110.	Valuation reserve	12.131.964	(16.195.773)
140.	Reserves	990.903.675	885.551.458
150.	Share premium	79.005.128	79.005.128
160.	Share capital	1.360.157.331	1.360.157.331
170.	Treasury shares (-)	(25.321.549)	(25.321.549)
180.	Profti for the year	100.695.191	83.623.117
	Total Liabilities and Equity	**36.780.103.664**	**37.166.653.363**

Income Statement
(euro)

	31/12/2019	31/12/2018
10. Interests and similar income	480.296.574	534.125.726
of which: interest income calculated using the effective interest method	472.759.501	528.340.168
20. Interests and similar expense	(94.701.450)	(96.813.061)
30. Net interest income	**385.595.124**	**437.312.665**
40. Fee and commission income	297.277.922	291.056.086
50. Fee and commission expense	(15.640.757)	(15.223.850)
60. Net fee and commission income	**281.637.165**	**275.832.236**
70. Dividends and similar income	12.869.582	45.365.465
80. Net trading income	49.301.342	2.430.035
100. Net gain from sales or repurchases of:	35.756.120	5.486.518
a) Financial assets at amortised cost	23.055.929	2.122.269
b) Financial assets at fair value through OCI	12.286.272	3.381.111
c) Financial liabilities	413.919	(16.862)
110. Net gain on financial assets and liabilities at fair value through profit or loss	12.139.386	(12.097.686)
b) Other financial assets required to be measured at fair value	12.139.386	(12.097.686)
120. Total income	**777.298.719**	**754.329.233**
130. Net impairment losses for credit risk on:	(200.696.196)	(222.795.628)
a) Financial assets measured at amortised cost	(202.231.964)	(226.766.003)
b) Financial assets measured at fair value through OCI	1.535.768	3.970.375
140. Profit/losses from contractual changes without derecognition	(3.287.718)	(2.838.879)
150. Net result of financial management	**573.314.805**	**528.694.726**
160. Administrative expenses:	(436.636.907)	(438.884.829)
a) Personnel expenses	(194.518.109)	(184.445.102)
b) Other administrative expenses	(242.118.798)	(254.439.727)
170. Net accruals to provisions for risks and charges	(2.141.463)	(8.964.783)
a) Commitments and guarantees given	2.228.265	(10.811.263)
b) Other net accruals	(4.369.728)	1.846.480
180. Depreciation and net impairment losses on property and equipment	(36.152.651)	(13.982.158)
190. Amortisation and net impairment losses on intangible assets	(14.323.933)	(14.680.285)
200. Other operating income, net	65.566.086	56.159.483
210 Operating costs	**(423.688.868)**	**(420.352.572)**
220. Net gain on investments	(284.123)	402.849
250. Net gain on the sale of investments	5.363	21.212
260. Pre-tax profit from continuing operations	**149.347.177**	**108.766.215**
270. Income taxes	(48.651.986)	(25.143.098)
280. Post-tax profit from continuing operations	**100.695.191**	**83.623.117**
300. Profit (loss) for the year	**100.695.191**	**83.623.117**

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.	27.500
Semi-annual and annual reporting packages	EY S.p.A.	12.000
Review of the financial statements in English	EY S.p.A.	7.500
Other services	EY ADVISORY S.p.A.	10.000

(Euro)

The above amounts do not include IVA tax and expenses.

Report of the Board of Statutory Auditors to the Shareholders' Meeting

Dear Shareholders,

in carrying out our duties under the law, we have complied with the rules of conduct recommended by the National Council of Chartered Accountants and Accounting Experts. Therefore, in accordance with the law and the aforementioned regulations, we monitored compliance with the law, the statute and the correct principles of administration in the management of the Company, as well as the adequacy of the organizational structure and internal control systems.

With regard to compliance with the law and the statute, we would like to point out that, during the 2020 financial year, the Directors operated in accordance with these rules, adhering to correct principles of administration and economic rationality in business management. No imprudent or prejudicial operations for the Company were carried out, nor in potential conflict of interest or in contrast with the resolutions of the Shareholders' Meeting. We also point out that on an operational level we have not observed any behavior that is different or in contrast with the decisions taken by the Directors.

We also participated in all 7 (seven) meetings of the Board of Directors, held during the year. We can certify that the same, as well as the aforementioned Shareholders' Meeting, were convened and held in compliance with the rules governing their functioning. We also point out that during the 2020 financial year the Board of Statutory Auditors met 13 (thirteen) times.

As per our duty, we monitored the compliance of the organizational structure with the operational needs of the Company, as well as with those deriving from belonging to the Banca Popolare di Sondrio Banking Group. In this regard, we have not found any organizational shortcomings to bring to your attention.

As regards the supervisory activity on the adequacy of the internal control systems, we have operated using the competent structures of the Company and the Parent Company, as well as the Trust Union as entrusted with the Compliance Function; and this in particular with reference to the risks relating to company activity and the effectiveness of the information system with regard to financial reporting. In this regard, we confirm that we have paid particular attention to the overall structure of the internal control system and its consistency in reference, both to the provisions and guidelines issued by the Parent Company, and to the relevant legislation issued by the Supervisory Authority.

In the course of our activity we have not encountered atypical or unusual transactions with Group companies or with related parties.

The Board of Directors has provided adequate information in the Directors' report and in the Notes to the Financial Statements on the impacts of the events generated by Covid-19 as well as on the most significant economic, financial and equity transactions carried out with related parties.

We acknowledge that we have obtained adequate information on the activity carried out by the Supervisory Body of the Company pursuant to Legislative Decree 231/2001; the checks carried out by this Body did not reveal any conduct that is not in line or does not comply with the principles and provisions contained in the 231/2001 Model.

As regards the regular bookkeeping and the correct representation in the financial statements of managerial facts, the control function was performed by the auditing company EY S.p.A. (pursuant to Art. 2409 bis of the Italian Civil Code).

We discussed with EY S.p.A. the results of the audit work carried out by the same and we have acknowledged that no exceptions to the financial statements have emerged from the same, nor any findings regarding the organization and the suitability of the accounting systems to correctly represent the management facts.

In any case, we supervised the setting and preparation of the financial statements as regards both the compliance of the same with the prescribed accounting principles, and the process of preparing the related financial information.

We can therefore certify that the financial statement that the Directors submit for your approval have been prepared in accordance with the specific provisions governing their formation and that the same has been prepared by applying the IAS / IFRS international accounting standards adopted by the European Union. As regards the representation schemes, it complies with the formal requirements required for credit and financial institutions.

With regard to the management report, we acknowledge that the auditing company has carried out the procedures indicated in the auditing standard (SA Italia) no. 720B confirming that the management report is consistent with the financial statements of Factorit S.p.A at 31 December 2020 and is prepared in accordance with the law. The auditing firm confirms that with reference to the declaration referred to in art. 14, c. 2 lett. e) of Legislative Decree 39/2010, no elements emerged to bring to your attention.

Finally, we declare that no complaints from third parties have been received by the Board, nor complaints pursuant to art 2408 of the civil code. We also declare that during the year we have not issued, nor have we been asked for, opinions required by law.

Given the above and acknowledged that the audit report issued by EY S.p.A. it does not contain any remarks regarding the financial statements, nor references to information relating to what is analytically illustrated by the Directors in the Directors' report and in the Notes to the Financial Statements, we express a favorable opinion, to the extent of our competence, on the approval of the 2020 financial statements and on the proposal formulated by the Directors regarding the allocation of the net profit achieved.

Milan, 24 March 2021

THE BOARD OF STATUTORY AUDITORS

Dr. Luca Zoani

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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, 2020 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, 2020, 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.

EY S.p.A.
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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, 2020, 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, 2020 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, 2020 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.

Milan, March 24, 2021

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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