Factorit
GRUPPO Banca Popolare di Sondrio

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

GRUPPO Banca Popolare di Sondrio

Directors' report and Financial Statements as at and for the year ended 31 december 2021

Factorit
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Factorit S.p.A.

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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	Massimo Bordoni
	Nicolo 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

General Management

General Manager	Fabio Bollini
Vice General Manager	Maurizio Maria Beretta

Independent auditors

EY S.p.A.

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DIRECTOR'S REPORT

Dear Shareholder, the 2021 financial statements, the forty-third year of operations of your Company, recorded a profit of 16.167.141 Euro.

Over the past year, still characterized by the effects of the Covid-19 pandemic, the Company's commercial strategy, which has increasingly focused on the loyalty of customers already acquired and their development, has allowed to obtain a constant growth in volumes returning, earlier than expected, to pre-pandemic levels.

The absence of marked sectoral concentrations in Factorit's Customer portfolio has allowed, once again, to maintain almost constant growth in all operating segments. The rigorous monitoring and risk control activities already set up during the previous year, which led to a reduction in activities in the sectors considered most at risk, made it possible to improve the portfolio by containing non-performing exposures and almost eliminating the passage of new positions in litigation.

The synergy with the partner banks and with the affiliated banks allowed to increase the situations of collaboration, 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 of December 31st, 2021, 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 as at December 31st, 2021 have been audited by the Company EY S.p.A.

THE INTERNATIONAL SITUATION

Also in 2021 the international economic cycle, as already in 2020, has moved in the opposite direction to the Pandemic: every decline in the latter has been matched by a production recovery, each outbreak of the virus has seen a slowdown in production.

The measures adopted to protect public health, firstly the vaccination campaigns, allowed to significantly contain the restrictions, so much so that the engine of the production system has been able to return to run at high levels, also fueled by the very significant support measures guaranteed by the interventions of the State and Monetary Authorities.

The international economy has thus been able to mark sustained growth in 2021, the result of non-homogeneous dynamics between the various areas and characterized, as anticipated at the beginning, by an alternation between accelerations and slowdowns.

The general economic recovery, which showed itself vigorously in the first months of the year, continued throughout the first half of the year. This was followed in the third quarter by a widespread slowdown that involved – except for the eurozone – both the major advanced and emerging economies. Contributing to this were the spread of the Delta variant in the United States, restrictive measures to protect public health in Japan and the downturn in the real estate sector in China.

In the last period of the year, the most advanced economies showed important signs of recovery, while the emerging countries appeared less dynamic. The United States has thus achieved an annual GDP growth of around 5.6%, in line with the estimated increase worldwide, the United Kingdom is credited with a + 6.9%, while Japan has settled around + 1.8%.

World trade, whose overall progress in 2021 is reported at 10.8%, has slowed down somewhat since the summer, also due to the persistence of bottlenecks in production chains, of which the shortage of semiconductors is the best-known example. Other difficulties have arisen from the problems manifested at global level in the logistics sector, which have led not only to sharp slowdowns in delivery of goods, but also to a very significant increase in sea freight.

Inflationary pressures became increasingly significant over the course of the year, driven by energy, oil and gas prices in the lead. Of course, other factors have also contributed to this, such as the strong recovery in consumption and the already mentioned bottlenecks in international value chains. In the United States, prices rose by 7% in December 2021, so that the Federal Reserve began removing monetary accommodation.

The stock markets benefited from the improvement in the underlying scenario. Progress in vaccination campaigns, stronger growth, highly expansionary fiscal and monetary policies have been a solid precondition for rising prices. Disturbing elements were represented, at the end of the year, by the Omicron variant and the sustained inflation dynamics that raised fears about the possible revision of expansionary monetary policies. However, on Wall Street the S&P 500 index performed 26.89% and European stock markets also posted significant results. The growth of the Japanese market, as well as that of emerging countries, is much smaller, in some cases conditioned by local factors, such as the crisis in the real estate sector in China.

In the euro area, the economic slowdown manifested itself at the end of the year due to the rise in infections and the consequent introduction of more stringent containment measures, moreover after having marked important advances in the central quarters that estimate a progress in GDP at the end of 2021 just above 5%. Among the most dynamic economies France stands out with a very significant +7%, followed a short distance by Italy, +6.5%, and Spain, +5%. Much less positive the data of the German economy which, with a decline in the last quarter, shows a modest +1.4% at the end of the year, also motivated by the production difficulties of the automotive sector, afflicted, among other things, by the lack of components.

The level of inflation has once again raised concerns: in December, the change in consumer prices in the euro area was 5%, the highest value since the start of the Monetary Union. A trend that for about half is attributable only to the energy component.

The European Central Bank, at the meeting on December 16th, 2021, considered that progress in the economic recovery and those concerning the medium-term inflation target would allow a reduction in net purchases of financial assets, but considered monetary accommodation still necessary.

For its part, the European Union has given continuity to the disbursement of important financial resources under the Next Generation EU program, an indispensable tool to support and give impetus to the economic recovery of the entire euro area.

Thanks to the progressive relaxation of health measures to combat the pandemic, the economy of the Swiss Confederation experienced a growth process in 2021, which could have been higher if the problems already mentioned at international level and related to the difficulties in the logistics sector and the bottlenecks in supply chains had not intervened in the last quarter.

Throughout 2021, the Swiss National Bank continued its expansionary monetary policy, which helped to support the dynamics of the production cycle.

ITALIAN SITUATION

In 2021 the Italian economy experienced strong growth, partly as a result of a cyclical rebound, after the outbreak of the Covid-19 crisis in 2020, but, in embryo, also for a more structural component, supported by specific incentives, connected with the double ecological and digital transition.

Thus, the increase in GDP stood at 6.6, driven by investments that grew by 17%, well beyond a simple recovery of the ten percentage points lost the previous year. About eleven had even been those suffered by private consumption, whose incomplete recovery (+5.2%), also supported by online channels, explains that of the entire Product, which, of points, had left a total of nine on the field.

The foreign channel benefited from the reactivation of international trade, with a sufficient balance between the high percentages of increase in exports (+13.3%) and imports (+14.5%), and with the maintenance of a positive balance although slightly decreasing, to 50 billion from 63 in the corresponding period of 2020.

In this context, unemployment has fallen back, below the current levels at the onset of the coronavirus: the indicator for the entire population between 15 and 74 years of age has in fact fallen to 9.1% in the fourth quarter. Even more intense was the improvement for the youth group, between 15 and 24 years old, which at the beginning of the year presented a figure, around 35%, well above the pre-pandemic one, and which subsequently witnessed a drop of up to 28% in the last three months.

As for the debated price dynamics, it has indeed gone from a situation of creeping deflation to a completely opposite one of overt overheating. This is not an Italian peculiarity. In contrast, the underlying trends are linked to the international markets for energy and some raw materials, whose supply has failed to cope with the impetuous demand triggered by the generalized recoveries in economic activity.

If anything, our country, which, as regards the harmonised index of consumer prices, had perfectly realigned, at the end of 2020, to the level (-0.3%) of the euro area, has seen a subsequent growth up to +4.2% last December, but has returned below the Union average, for almost one point as at the end of 2019.

What is certain is that, recognizing the pernicious implications of inflation, it was rather its prolonged hiding, in one with that of economic growth, that nourished a problematic context for the sustainability of debts, whether private or state.

From the latter point of view, the fundamental Italian public finance balances, expressed in relation to GDP, thanks to the vigorous increase of the latter have shown improvements in comparison with those of 2020 greater than those preliminary by the Government in the DEF: the incidence of net debt fell from 9.6 to 7.2%, that of public debt from 155.3 to 150.4%.

For the current year, the Budget Law foreshadows further declines: the deficit, in particular, should fall to 5.6%, a value that also incorporates 1.2 percentage points more, compared to the trend, as a result of an expansionary maneuver - over 20 billion in absolute terms - aimed at pushing GDP growth up to 4.7%.

The substantial resources associated with the PNRR will be added gradually. Although these are funds that are also largely destined to have to be repaid, the resilience of national solvency has been reaffirmed by a spread that, after falling below 100 basis points, has risen to end at the highs, but remaining below the comfortable threshold of 140.

FACTORING, THE DOMESTIC MARKET

During the year 2021, the factoring market recorded a turnover of over 251 billion euros, an increase of about 10% compared to 2020. The trend in turnover followed the rebound of the economic recovery starting from the second quarter, moving towards a consolidation of the growth rate in the second half of the year.

As a result, receivables outstanding at December 31st, 2021 (Outstanding) also increased by 5.4% on the same figure at December 31st, 2020.

On the other hand, the advances and fees component increased by 2.2% compared to the previous year.

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

	2018	2019	2020	2021
Turnover	240.038.627	255.506.338	227.829.051	250.629.550
Outstanding	67.688.862	66.261.108	62.233.640	65.599.552
Advances	54.698.096	54.534.058	50.340.478	51.440.505
Advances/Outstanding	*80,8%*	*82,3%*	*80,9%*	*78,4%*

(amounts in thousands euros)

Based on the information provided by Assifact as of December 31st, 2021, 50% of factoring companies in Italy consisted of financial intermediaries pursuant to art. 106 "albo unico" (generating 57.5% of turnover), banks account for 36.7% of operators (36.4% of turnover) and other intermediaries 13.3% (6.1% 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 6.1%), is equal to 70.6% of the market's total turnover.

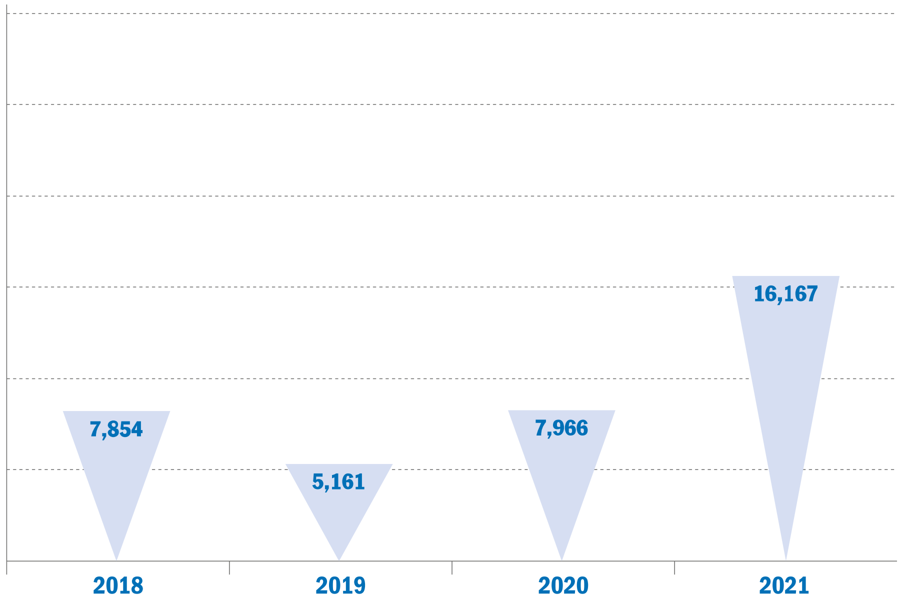
COMPANY PERFORMANCE

Results

The Company ended the year with a net profit of 16,2 million Euros, after allocating gross value adjustments for credit risk on financial assets measured at amortized cost, for 5,2 million Euros. The reversals amount to 9,5 million euros. Therefore, the item Net impairment losses for credit risk shows a balance of 4,3 million euros.

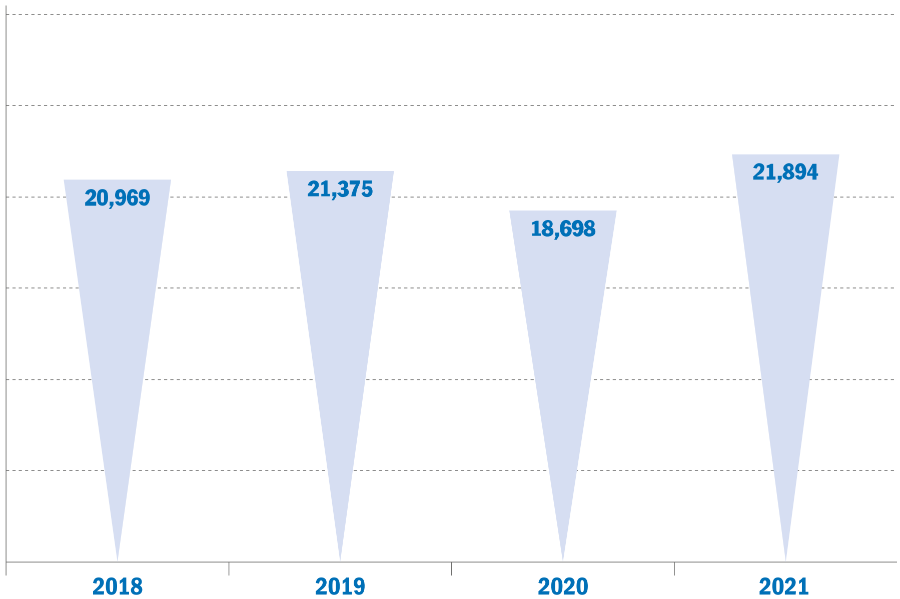
This result is essentially attributable to the recovery in value accounted for in the period, in particular on the Webuild S.p.A. position (formerly Astaldi S.p.A.), and to recoveries in value on loans passed at a loss in previous years in addition to the lower provision on performing exposures due to the improvement in macroeconomic scenarios.

Graph 1. Net profit trend (thousand euros)



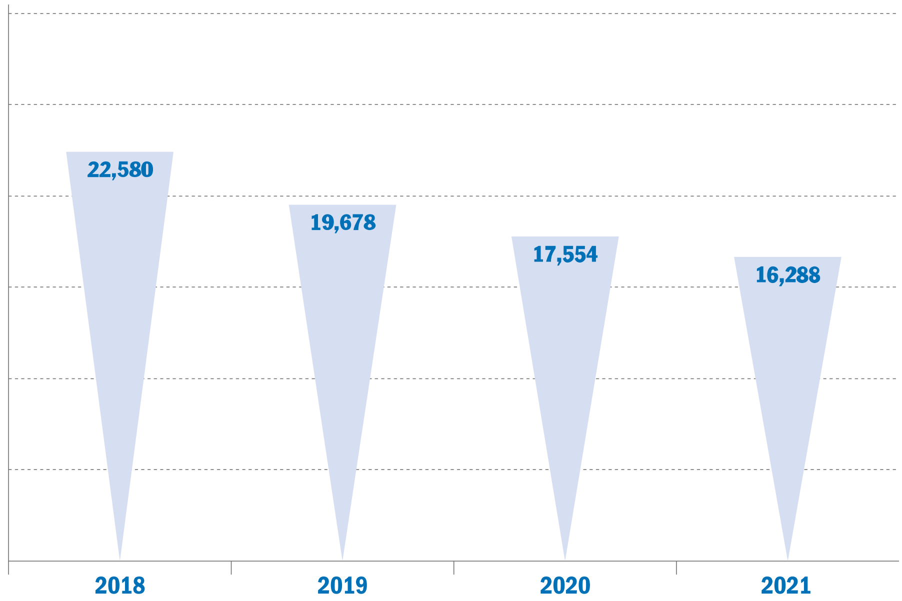
The activity generated a Total Income of 38,2 million euros, of which 16,3 million deriving from financial income and 21,9 million from commissions, an increase of 5.6% compared to December 31st, 2020.

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



The trend in commissions, closely related to turnover, recorded a strong increase (17.1%) as a result of the increase in assets managed despite the persistence of the Covid-19 pandemic still present worldwide.

Graph 3. Net interest income trend (thousand euros)



The interest margin recorded a decline (-7.2%) compared to the previous year, attributable to the constant reduction in market rates also in the face of the liquidity made available by the Institutional Authorities, albeit in a context where the company saw an increase in average loans to customers of 2.1 billion euros (1.9 in 2020).

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

	2020	2021
Net fee and commission income	18.698	21.894
Net interest income	17.554	16.288
Net trading income	-58	24
Total Income	**36.194**	**38.206**
Total net costs of risk	**-5.132**	**4.390**
Total net operating expenses	**-19.486**	**-19.125**
Operating	**11.576**	**23.471**

(thousand euros)

	2020	2021
Cost/Income	53,8%	50,1%
Roe	3,3%	6,5%
Net interest income/Total income	48,5%	42,6%
Revenue from services/Total income	51,7%	57,3%

The net cost of risk includes the caption 130 “Net impairment losses for credit risk” for -4.260 thousand euros and the caption 170 ‘’Net accruals to provisions for risks and charges’’ for 130 thousand euros.

Total net operating costs includes captions 160 “Administrative expenses” for -18.099 thousand euros, 180 and 190 “Depreciation and net impairment losses on property and equipment and intangible assets” for -1.656 thousand euros the caption 200 “Other operating income, net” for 630 thousand euros.

Key events of the year

During its meetings in the year 2021, 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, Risk Management, Anti-Money Laundering, Internal Audit).

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

- the Board of Directors of **January 29th, 2021** 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”.
- on **March 12th, 2021** the Board of Directors approved the financial statements draft for the year ended 31st December 2020; it convened the Ordinary Shareholders' Meeting; it approved the 2021 Budget and the updating of the Organization, Management and Control Model, pursuant to Legislative Decree 231/2001.
- on **May 07th, 2021** the Board of Directors approved the economic and financial statements for the year ended 31st March 2021 and resolved on the determination of the variable part of the remuneration of the most relevant staff.

- on **2June 1st, 2021** the Board of Directors, about the prohibition of interlocking (Article 36 of Law 214/2011), carried out the assessment by the Directors and took note of the verification carried out by the Board of Statutory Auditors in relation to its members.
- on **July 30th, 2021** the Board of Directors provided, about the appointments of the General Manager and the Deputy General Manager, the verification and evaluation of the requirements and criteria of suitability, giving them the necessary powers for the performance of the assignments. The same Board of Directors also approved the financial statements at June 30th, 2021.
- on **October 29th, 2021** the Board of Directors took note of the completion of the appointment of the General Manager, which took place on 24th August 2021, after the consent of the Supervisory Authority; it also approved the situation income statement and balance sheet ad at 30th September 2021.
- on **December 10th, 2021** the Board of Directors resolved on the outsourcing of the Risk Control Function of the Parent Company; it also took note of the opening of the local unit in Palermo.

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

The Company's regulations were affected by updating measures, partly due to the issuance of new specific regulations (on this point please refer to the dedicated section "Regulatory adjustments") and partly in order to further strengthen the internal organizational structure. In this context, the revision of the regulations relating to internal control functions continued, also in order to transpose the interventions implemented during 2021 with regard to the methodologies and tools used.

At the same time, some previously adopted governance regulations were updated.

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 (all placed in hierarchical and functional reporting of the Board of Directors), Services and Offices (in staff and in line with the General Management), with the aim of achieving improvements in terms of efficiency and risk mitigation. 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.

During 2021, also following the changes to governance that led to the appointment of the General Manager and the Vice General Manager, changes were made to the organizational structure to adapt it to company needs, in accordance with the provisions and guidelines of the Supervisory Authority.

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

Commercial performance

The amount of receivables assigned during the period was equal to 15.279 million euros, down 28.4% compared to 2020 (11.899 million).

Financings assigned as without recourse, that means with a guarantee on the successful completion of payments, were equal to 67.1% of the total turnover, while those transferred without recourse were 32.9%.

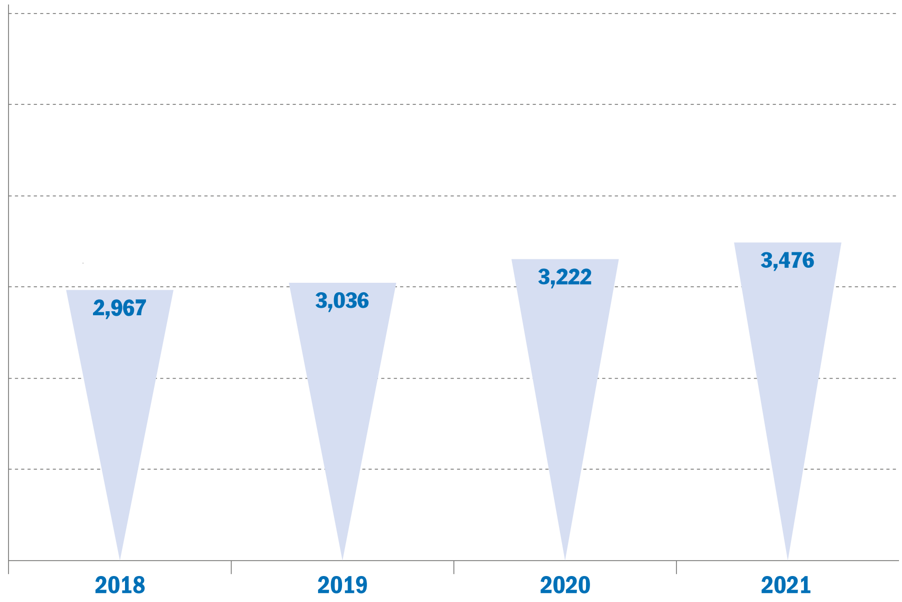
There were 1.410 active customers at December 31st, 2021, substantially in line with the figure at December 31st, 2020 (1.420).

Table 3. Operating figures

	2020	2021	Variation
Turnover	**11.899.778**	**15.278.965**	**28,4%**
of which without recourse	7.304.676	10.256.532	40,4%
of which with recourse	4.595.102	5.022.433	9,3%
Net fee and commission income (%)	**0,16**	**0,14**	**-**
Advances (stock) at 31/12	**2.618.506**	**2.936.999**	**12,2%**
Outstanding	**3.221.980**	**3.476.019**	**7,9%**
of which without recourse	2.090.200	2.425.356	16,0%
of which with recourse	1.131.780	1.050.663	-7,2%
No. of dossiers processed	**1.113.307**	**1.070.374**	**-3,9%**

(thousand euros)

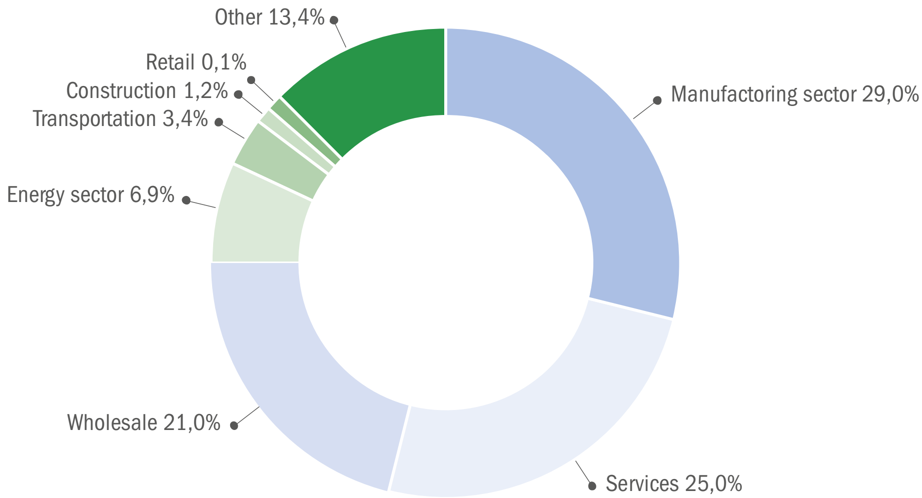
Graph 4. Trend of outstanding loans and receivables balance (thousand euros)



The decrease in the average days of rotation of loans and receivables (83 days vs 98 in 2020) mainly attributable to disappearance in the year 2021 of 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 (29%), followed by Services (25%), Wholesale trade (21%), the Energy Sector (6.9%), Transportation (3.4%), Construction (1.2%) and Retail (0.1%). The ''Other'' class covers the remaining 13.4%.

Graph 5. Breakdown of turnover by merchant sector of originator



The turnover breakdown by product mainly consists of traditional factoring with notice (28.6%) and factoring with financing without notice (53.8%), the growth of which is mainly due to significant strengthening of transactions with high counterparties standing. *Maturity factoring* follows with 17.1% of the total, while the residual component relating to products of guarantee only without notice with 0.5%.

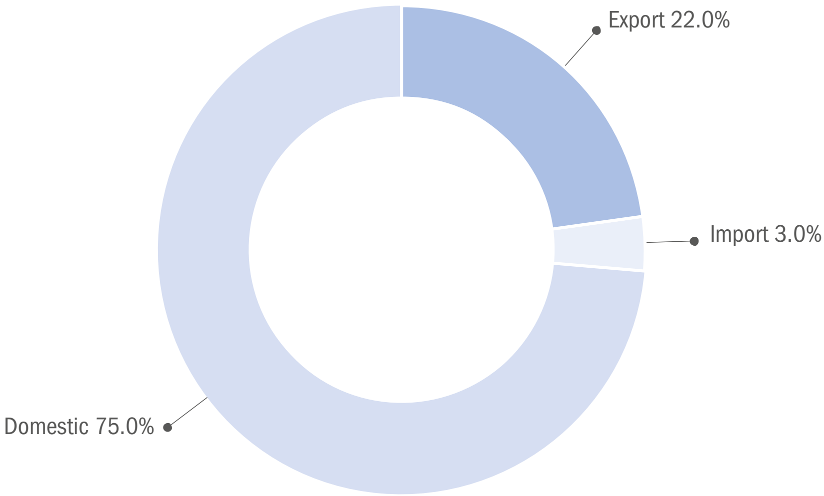
Table 4. Product segmentation (percentage of total)

	2019	2020	2021
Traditional factoring	33,7%	34,1%	28,6%
Financing products without notice	46,8%	46,8%	53,8%
Maturity factoring	17,2%	17,7%	17,1%
Guarantee only without notice	2,3%	1,4%	0,5%
Total	**100,0%**	**100,0%**	**100,0%**

(%)

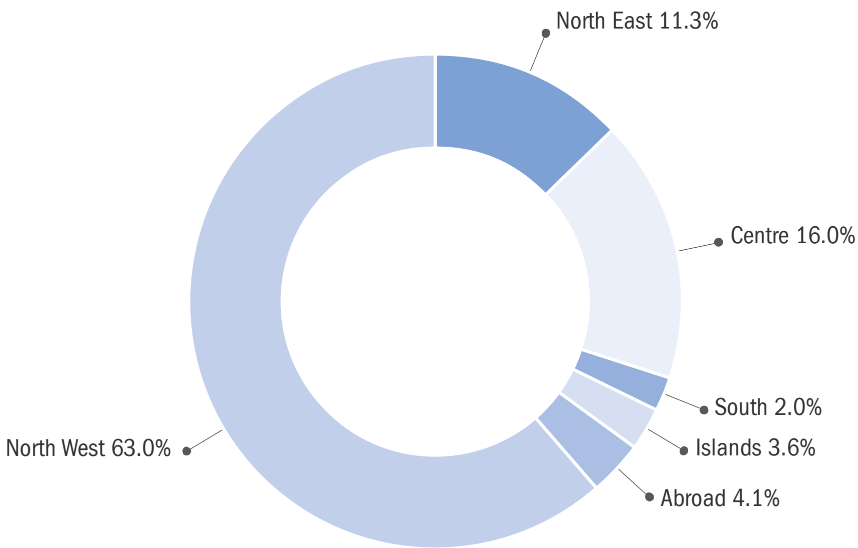
Domestic transactions made-up 75% (74.9% in 2020) of total loans and receivables factored for 11.460 million euros of turnover. Export factoring accounted for 22% (22.4% in 2020) for 3.354 million euros and the import factoring for 3% (2.7% in 2020) for 464 million euros.

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 Lombardy (the first region in terms of turnover) represents the 32.6% of total. Piemonte (26.3%) and Lazio (11.6%) are among the most significant regions in order of volumes. Turnover contributed by customers based abroad made up 4.1%.

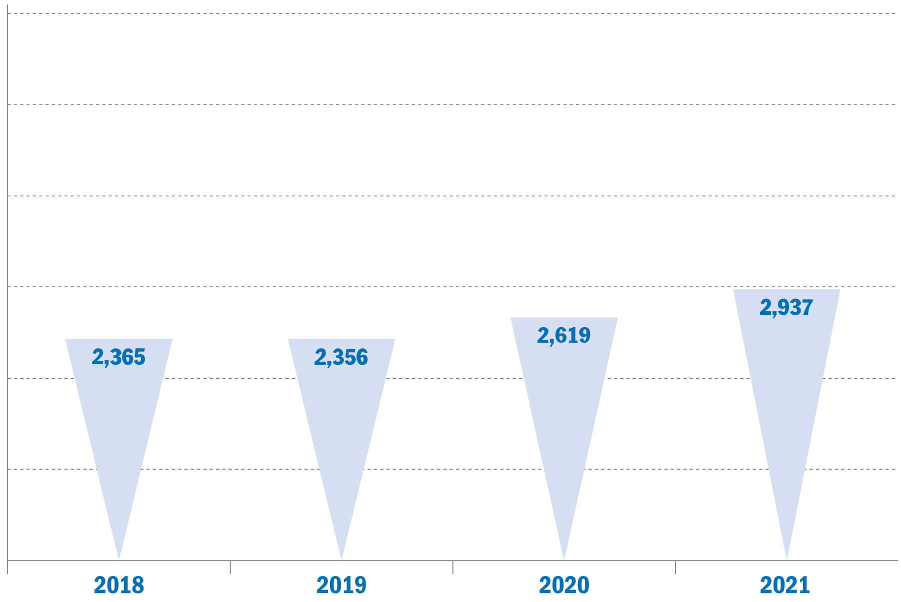
Graph 7. Breakdown of customers by macro-geographical areas



(percentages calculated considering the customers' registered office)

As at December 31st, 2021, advances amounted to 2.937 million euros, equal to 84.5% of the outstanding loans and receivables.

Graph 8. Advances (million euros)



Distribution channels

Assignment by customers referred by shareholders banks amounted is equal to 5.624,2 million euros (that reached € 5.877,8 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 36,9%, an increase of 21,8% compared to the previous year that are affected by the improvement of the macroeconomic framework despite the persistence of the Covid-19 pandemic emergency.

Customers from the direct channel carried out assignments for 8.936,7 million, with an incidence of 58,5% on the total that, recording a significant increase of 32.9% 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 464,5 million euros, with an incidence approximately 3% on total loans sold.

Table 5. Breakdown of turnover by distribution channel

	2020	Weight	2021	Weight	Variation
Banca Popolare di Sondrio	*3.328.412*	*28,0%*	*3.916.463*	*25,7%*	*17,7%*
Banco BPM	*1.287.477*	*10,8%*	*1.707.723*	*11,2%*	*32,6%*
Total Shareholder banks	*4.615.889*	*38,8%*	*5.624.186*	*36,9%*	*21,8%*
Total BANKS	**4.853.270**	**40,8%**	**5.877.839**	**38,5%**	**21,1%**
Total IMPORT	**322.993**	**2,7%**	**464.446**	**3,0%**	**43,8%**
Total DIRECT	**6.723.515**	**56,5%**	**8.936.680**	**58,5%**	**32,9%**
Total	**11.899.778**	**100,0%**	**15.278.965**	**100,0%**	**28,4%**

(amounts in thousand euros)

Regulatory adjustments

The Company uses the contribution 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.

During the year, in addition to auditing internal regulatory arrangements impacted by organizational changes or by the evolution of heteroregulatory legislation (laws and regulations),
the Company approved new documents in order to ensure the adequacy of Factorit's regulatory body with respect to the objective of preventing the violation of mandatory and self-regulatory rules and to ensure an effective system of internal controls.

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 Factorit's regulations.

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

To support companies in an emergency situation, given the persistence of the Covid-19 pandemic, the Government has adopted additional measures that have provided for the direct involvement of the credit and financial system. Art. 16 of Legislative Decree May 25th 2021, n. 73, c.d. “Sostegni bis”, has further extended (until 31/12/2021) the benefits provided for by the extraordinary moratorium on credit obligations of SMEs and micro-enterprises (introduced with Legislative Decree no. 18 of March 17th 2020, so-called “Cura Italia”), with regard to the revocability of current account credit lines and loans for advances.

On 26th May 2021, the Interministerial Decree of May 12th, 2021, on "Implementing the provisions relating to the figure of the mobility manager", implementing art. 229 of Legislative Decree no. 34 of May 19th, 2020, converted with amendments by Law no. 77 of July 17th, 2020.

Subsequently, on August 4th, 2021, Interministerial Decree no. 209 was approved, which adopts the "Guidelines for the drafting and implementation of home-work travel plans (PSCL)" for companies and public administrations with individual local units with more than 100 employees located in a regional capital, in a metropolitan city, in a provincial capital or in a municipality with a population of more than 50,000 habitants.

On May 31st, 2021, Decree-Law no. 77/2021 ("Simplification Decree") was published in the Official Gazette, with which the national regulatory framework was defined aimed at simplifying and facilitating the achievement of the goals and objectives established by the "National Recovery and Resilience Plan".

On June 9th, 2021, the Council of the National Anti-Corruption Authority (ANAC) approved the new "Guidelines on the protection of the authors of reports of crimes or irregularities of which they have become aware due to an employment relationship, pursuant to art. 54- bis, of Legislative Decree 165/2001 (so-called whistleblowing)".

With Legislative Decree no. 118 of August 24th 2021, converted into Law on October 21st 2021, the entry into force of the "Code of business crisis and insolvency" (Legislative Decree 14/2019) was postponed to May 16th 2022, ruling the postponement to December 31st, 2023 of the application of the alert and assisted crisis settlement procedures; at the same time, the new instrument of "negotiated composition for the solution of the business crisis" for the commercial and agricultural entrepreneur was introduced.

In addition to the measures of the Executive, the Supervision has provided its contribution to the supervised intermediaries, through specific prescriptions, also aimed at facilitating the performance of the activities.

On 11th February 2021, the Financial Intelligence Unit with the Communication "Prevention of financial crime phenomena related to the Covid-19 emergency", integrated the previous one of 16th April 2020 in order to alert obliged entities to new elements useful to facilitate the reporting of suspicious transactions in the emergency context. The Communication recalls the anomalies connected with the illicit use of tax deductions and inherent to the operation of those who access public subsidies, requiring intermediaries to ensure adequate synergies between the preliminary investigation and disbursement phase of the support measure and that of monitoring the relationship on which the same measure converges; moreover, it indicates sectors at high risk of criminal infiltration, elements that can facilitate the performance of prevention activities, as well as relevant behavior in the context of telematic activities.

On 5th May 2021, the Bank of Italy issued the new Provisions on the procedure for assessing the suitability of representatives of banks, financial intermediaries, electronic money institutions, payment institutions and depositor guarantee systems, following the adoption of the Decree of the

Minister of Economy and Finance no. 169/2020 on the eligibility requirements of representatives of banks and other intermediaries regulated by the TUB.

The Provisions entered into force on 1st July 2021 and were applied by the Company with the appointment of the General Manager.

On 11th June 2021 the Bank of Italy with the communication "Extensions of support measures - Decree Law "Sostegni bis" (Legislative Decree no. 73 of 25th May 2021) - Clarifications on reports to the Central Credit Register" provided information to intermediaries regarding the methods of reporting the risks of the beneficiary positions of the measure provided for by art. 16 of Legislative Decree 73/2021.

On 20th July 2021, the 4th update of Circular no. 288 of 3rd April 2015 "Supervisory Provisions for Financial Intermediaries" was published, with which the Supervisory Authority amended the Chapter relating to the administrative and accounting organization and internal controls of Title III, in order to ensure the connection with the provisions of the EBA Guidelines on the granting and monitoring of loans

With reference to the measures put in place by the government authorities, please refer to what is set out in the Notes to the Financial Statements, *Part A - 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. Age range of employees

Age range	2021							2020						
	women			man			Tot	women			man			Tot
	>50	50-30	<30	>50	50-30	<30		>50	50-30	<30	>50	50-30	<30	
Managers	0	0	0	3	1	0	4	0	0	0	7	0	0	7
Junior Managers	18	7	0	38	13	0	76	17	8	0	39	16	0	80
Employees	17	25	0	10	15	7	74	17	27	2	11	18	5	80
Total	**35**	**32**	**0**	**51**	**29**	**7**	**154**	**34**	**35**	**2**	**57**	**34**	**5**	**167**
Of which: part-time	*4*	*9*	*0*	*0*	*0*	*0*	*13*	*3*	*11*	*0*	*1*	*0*	*0*	*15*

During the year there were 15 terminations of the employment relationship, while 6 were hired, including 3 people with an apprenticeship contract, 2 temporary employees, 1 permanent employees. The average figure on total employees (157) does not include any weighting with reference to the 13 part-time contracts.

The punctual number of employees at December 31st, 2021 was 154 units, including 87 men and 67 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 both on anti-money laundering, on adequate verification and on Suspicious Transactions and on regulatory updates in addition to the news on digital preservation. Specific courses on contracts were also provided. 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.

Interest and Liquidity risk trend

Reference should be made to the Notes to the Financial Statements Part D- Other information – Section 3 - Risks and hedging policies information. Regarding the liquidity risks, its management took place also through the utilization of the competent Functions of the Parent Company, which also ensured a large part of the financial resources necessary for carrying out its business.

Credit risk trend

At December 31st, 2021, the total exposures, gross of impairments, amounted to 2.937 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 2.856 million euros, equal to 97.2% of total exposures; net of adjustments these exposures amounted to 2.852 million euros;
- the on-balance exposures at Stage 2, so those which as performing exposures suffered a significant credit risk increase, amounted to 72,7 million euros, equal to 2.5% of total exposures; net of adjustments these exposures amounted to 72,5 million euros;
- the on-balance exposures at Stage 3, so the impaired exposures, amounted to 12,7 million euros, equal to 0,30% of total exposures, divided as follows:
  - a) past due on-balance exposures substantially zero;
  - b) unlikely to pay on-balance exposures for 7,1 million euros, equal to 0,25% of total exposures; net of adjustments these exposures amounted to 1,1 million euros, with a coverage of 84.4% (72.5% in 2020);
  - c) bad loans on-balance exposures for 5,6 million euros, equal to 0.20% of total exposures; net of adjustments these exposures amounted to 0,1 million euros, with a coverage of 98.2% (98.3% in 2020).

At December 31st, 2021, total losses for 1,5 million euros (23,2 million in 2020) were accounted, divided as follows: 0,5 million in relation to exposures due to assignors and 1 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 regulations on the matter, during 2021 the activity aimed at monitoring compliance continued, an activity carried out with the support of applications in use for some time present in the company's management system.

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 December 31st, 2021, no. 16 positions included in the ''large exposures'' (17 positions in 2020) were recorded. For risk positions above the limit of 25% of the eligible capital, the Parent Company ensures, by guarantees, it excesses of the individual limit; as of December 31st, 2021, four primary Groups exceeded this limit.

It should be noted that at December 31st, 2021, both the CET1 Capital ratio and the Total Capital ratio were equal to 10.706% (12.375% at December 31st, 2020) and the capital surplus was equal to Euro 109.086.735 (Euro 123.476.327 at December 31st, 2020), 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 its commercial action, aiming to increase the number of customers, the volumes traded, and the profitability generated by the loans provided also with the support of technological innovations, always paying attention to the quality of credit.

Given the above and considering 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 2021, 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 (+6.84%) both in terms of outstanding (+4.82%), and in terms of average loans (+5.74%), as well as the general confidence of operators about the expected performance of the fiscal result for 2022 (over 80% of operators expect an increasing trend compared to 2021, about 5.18% expect a value on the same levels and 14.82% 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 inflationary phenomena due to the cost of raw materials and the energy component, the onset of corporate insolvencies, any resurgences of the pandemic and, not least, the execution risks related to the PNRR, the National Recovery and Resilience Program.

The commercial activity will be increasingly oriented towards the development of synergies with the Parent Company and with the affiliated banks, without renouncing to direct development operations, also considering the macroeconomic and context variables that still present significant risks.

In particular, we refer to the mentioned economic situation worsened by inflationary spirals and the uncertainties related to the recovery due to energy costs whose effects are already pouring on almost all economic sectors and, tendentially, will accelerate the recovery of Central Bank interest rates.

The year 2022 will also be the year of the full launch of the PNRR, financed largely with European funds. For the Italian economy it is worth 235.1 billion euros between 2021 and 2026. An extraordinary opportunity to redesign the national economy but above all a huge driver for growth if well used. According to the Bank of Italy, the support measures introduced during this year, those included in the draft budget law and the interventions of the PNRR can raise the level of GDP overall by about 5 percentage points over the four-year period 2021-24.

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.

To this end, without altering the operational and risk functionalities, the commercial offer has been expanded in favor of certain categories of customers, aimed at grasping the needs of the same that will allow the Company to proceed in the complex but rewarding loyalty activity as well as the development of new commercial opportunities.

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 December 31st, 2021, 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.

In February 2022, the military conflict between Russia and Ukraine began; it should be noted that the company, at the date, does not hold direct exposures to counterparties resident or operating in the affected markets.

The 1st of March 2022, the Parent Company Banca Popolare di Sondrio S.p.A. signed a binding agreement with Banco BPM S.p.A. to acquire from Banco BPM S.p.A. 39.5% of the company’s share capital of which it already holds 60.5%.

On 15 March 2022, through the execution of the aforementioned binding agreement, Banco BPM S.p.A. has transferred to the Parent Company Banca Popolare di Sondrio the stake equal to 39.5% of the company's share capital: the Parent Company thus obtains full control of the company.

Dear shareholder,

we propose you approve the financial statements as at and for the year ended December 31st, 2021, and the allocation of the profit for the year as follows:

Net profit for the year	Euro	16.167.141
Profits from previous year	Euro	560.045
Profits to allocate	Euro	16.727.186
Of which:		
5% of the profit to Legal Reserve	Euro	808.357
Dividend Euro 0.13 to each of the		
n. 85,000,002 outstanding shares	Euro	11.050.000
Profits to extraordinary reserve	Euro	4.457.441
Retained profits	Euro	411.388

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

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

We would also like to thank the Board of Statutory Auditors for its support provided during the year, to all the Company's employees for their constant commitment, to the banks that use our services, the members of FCI - Factors Chain International and the bodies of Assifact.

Milan, March 11th, 2022

On behalf of the Board of Directors

Chairman
(Roberto Ruozi)

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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 July 19th, 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	31/12/2021	31/12/2020
10. Cash and cash equivalents	2.037.431	4.618.300
30. Financial assets measured at fair value through OCI	1.166.554	835.935
40. Financial assets measured at amortised cost	2.925.740.147	2.607.263.157
a) with banks	5.174.883	63.877.394
b) with financial institutions	344.197.972	30.113.078
c) with customers	2.576.367.292	2.513.272.685
80. Property and Equipment	17.474.069	6.233.630
90. Intangible assets	411.388	560.045
100. Tax assets	18.245.516	21.826.006
a) current	1.049.153	1.108.934
b) deferred	17.196.363	20.717.072
120. Other assets	1.661.959	4.600.937
TOTAL ASSETS	**2.966.737.064**	**2.645.938.010**

Liabilities and Equity	31/12/2021	31/12/2020
10. Financial liabilities measured at amortised cost	2.676.529.160	2.378.212.343
a) debts	2.676.529.160	2.378.212.343
60. Tax liabilities	3.589.562	2.583.632
a) current	1.550.373	544.209
b) deferred	2.039.189	2.039.423
80. Other liabilities	18.705.395	13.093.955
90. Post-employment benefits	2.014.551	2.161.392
100. Provision for risk and charges	1.143.008	1.538.822
a) commitments and guarantees given	291.388	536.243
b) pension and similar provisions	-	-
c) other provisions for risks and charges	851.620	1.002.579
110. Share Capital	85.000.002	85.000.002
140. Share premium	11.030.364	11.030.364
150. Reserves	152.868.266	144.902.640
160. Valuation reserves	-310.385	-550.766
170. Profit (Loss) for the period	16.167.141	7.965.626
TOTAL LIABILITIES AND EQUITY	**2.966.737.064**	**2.645.938.010**

In compliance with the provisions of the 7th update of Bank of Italy's Circular 262, for annual period ending on December 31st 2021, current accounts balances for the year 2020 have been reclassified from the caption 40 a) to the capition 10 (for Euro 4.616.120), representing the occasional and temporary stock at Credit Institutions, originating mainly from receipts received at the end of the period.

INCOME STATEMENT

(Euro)

Income Statement items	31/12/2021	31/12/2020
10. Interests and similar income	16.931.520	19.247.464
of which: interest income calculated using the effective interest method	16.931.520	19.247.464
20. Interest and similar expense	-643.373	-1.692.979
30. NET INTEREST INCOME	**16.288.147**	**17.554.485**
40. Fee and commission income	25.344.300	21.842.350
50. Fee and commission expense	-3.450.566	-3.143.908
60. NET FEE AND COMMISSION INCOME	**21.893.734**	**18.698.442**
80. Net trading income	24.280	-58.240
120. TOTAL INCOME	**38.206.161**	**36.194.687**
130. Net impairment losses for credit risk on:	4.260.434	-5.032.460
a) financial assets measured at amortised cost	4.260.434	-5.032.460
b) financial assets measured at fair value through OCI	-	-
150. NET RESULT OF FINANCIAL MANAGEMENT	**42.466.595**	**31.162.227**
160. Administrative expenses:	-18.098.662	-18.956.764
a) personnel expenses	-13.074.732	-13.503.865
b) other administrative expenses	-5.023.930	-5.452.899
170. Net accruals to provisions for risks and charges	130.498	-99.712
a) commitments and guarantees given	244.855	106.266
b) other net accruals	-114.357	-205.978
180. Depreciation and net impairment losses on property and equipment	-1.515.905	-1.657.392
190. Amortisation and net impairment losses on intangible assets	-140.268	-121.835
200. Other operating income/expense	629.588	1.250.565
210. OPERATING COST	**-18.994.749**	**-19.585.138**
250. Net gain on the sale of investments	21.526	6.528
260. PRE-TAX PROFIT FROM CONTINUING OPERATIONS	**23.493.372**	**11.583.617**
270. Income taxes	-7.326.231	-3.617.991
280. POST-TAX PROFIT FROM CONTINUING OPERATIONS	**16.167.141**	**7.965.626**
300. PROFIT (LOSS) FOR THE PERIOD	**16.167.141**	**7.965.626**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

	31/12/2021	31/12/2020
10. Profit (loss) for the period	**16.167.141**	**7.965.626**
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	239.701	(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	680	(16.236)
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	**240.381**	**(213.685)**
180.Comprehensive income (Caption 10+170)	**16.407.522**	**7.751.941**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Euro)

	Opening balance at 31/12/2020	Changes in opening balances	Opening balance at 01/01/2021	Allocation of prior year result		Changes of the year							Comprehensive income 31/12/2021	Equity at 31/12/2021
							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	135.733.438	-	135.733.438	7.965.626	-	-	-	-	-	-	-	-	143.699.064
b) other	9.169.202	-	9.169.202	-	-	-	-	-	-	-	-	-	9.169.202
Valuation reserves	(550.766)	-	(550.766)	-	-	-	-	-	-	-	-	240.381	(310.385)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the period	7.965.626	-	7.965.626	(7.965.626)	-	-	-	-	-	-	-	16.167.141	16.167.141
Equity	248.347.866	-	248.347.866	-	-	-	-	-	-	-	-	16.407.522	264.755.388

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

(Euro)

	Opening Balance at 31/12/2019	Changes to opening balances	Opening Balance at 01/01/2020	Allocation of prior year result		Changes of the year							Comprehensive income 31/12/2020	Equity at 31/12/2020
							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	130.572.547	-	130.572.547	5.160.891	-	-	-	-	-	-	-	-	135.733.438	
b) others	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 CASH FLOWS

(Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2021	**31/12/2020**
1. OPERATIONS	**6.714.432**	**10.433.657**
- profit or loss for the period (+/-)	16.167.141	7.965.626
- net losses on financial assets held for trading and on financial assets/liabilities at fair value through profit and loss (+/-)	(24.280)	58.240
- capital gains/losses on hedged assets (+/-)	-	-
- net impairment losses (+/-)	(4.260.434)	5.032.460
- net impairment losses on property and equipment and intangible assets (+/-)	1.656.173	1.779.227
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	(130.497)	99.712
- unsettled taxes and tax assets (+/-)	3.896.936	544.209
- other adjustments (+/-)	(10.590.607)	(5.045.817)
2. CASH FLOWS GENERATED/ABSORBED BY FINANCIAL ASSETS	**(312.347.922)**	**(287.661.605)**
- 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	(330.619)	(770.859)
- financial assets measured at amortised cost	(318.476.990)	(288.538.508)
- other assets	6.459.687	1.647.762
3. CASH FLOWS GENERATED/ABSORBED BY FINANCIAL LIABILITIES	**303.171.552**	**270.704.702**
- financial liabilities measured at amortised cost	298.316.817	279.142.050
- financial liabilities held for trading	-	-
- financia liabilities designated at fair value	-	-
- other liabilities	4.854.735	(8.437.348)
Net cash flows generated/absorbed by operating activities	**(2.461.938)**	**(6.523.246)**
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY	**10.253**	**-**
- sales of property and equipment	10.253	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. CASH FLOWS USED TO ACQUIRE	**(129.184)**	**(261.591)**
- property and equipment	(10.084)	(162.450)
- intangible assets	(119.100)	(99.141)
- business units	-	-
Net cash flows generated/absorbed by investing activities	**(118.931)**	**(261.591)**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/repurchase of equity instruments	-	-
- dividend and other distributions	-	-
Net cash flows generated/absorbed by financing activities	**-**	**-**
TOTAL NET CASH FLOWS FOR THE YEAR	**(2.580.869)**	**(6.784.837)**

RECONCILIATION	Amount	
	31/12/2021	**31/12/2020**
Opening cash and cash equivalents	**4.618.300**	**11.403.137**
Total net cash flows for the year	(2.580.869)	(6.784.837)
Closing cash and cash equivalents	**2.037.431**	**4.618.300**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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 December 9th, 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 March 11th, 2022.

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.

In February 2022 the military conflict between Russia and Ukraine began; it should be noted that the company, at the date, does not hold direct exposures to counterparties resident or operating in the affected markets.

The 1st of March 2022, the Parent Company Banca Popolare di Sondrio S.p.A. signed a binding agreement with Banco BPM S.p.A. to acquire from Banco BPM S.p.A. 39.5% of the company's share capital of which it already holds 60.5%.

On 15 March 2022, through the execution of the aforementioned binding agreement, Banco BPM S.p.A. has transferred to the Parent Company Banca Popolare di Sondrio the stake equal to 39.5% of the company's share capital: the Parent Company thus obtains full control of the company.

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 February 6th, 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 continuty, 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 bal-ance 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 2021, as required by current accounting standards and by reference regulations.
The analysis carried out confirm the registration's values of the mentioned items at December 31st, 2021.

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 2021.

Risks, uncertainties and impacts of the COVID-19 epidemic

With the easing of restrictive measures, which had caused a sharp reduction in volumes in the previous year, since the business was strongly connected to customer turnover and by virtue of the commercial strategy adopted by the Company, which increasingly focused on the loyalty of customers already acquired and their development, rather than the activation of new operations, so as to obtain during the year in question and in advance of expectations, results prior to the pandemic.

The risks to which the company is exposed due to the impacts relating to the Covid-19 pandemic, are attributable to the limited growth in the intermediation margin as a result of low interest rates and limited to the credit risk, as these exposures are of short / very short duration, 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 receivables sold based on the goodness of the debtor and his ability to fulfill the relative deadlines.

The pandemic has widened the debts: those of companies and citizens but above all those of governments, intervened to avoid the collapse of the economy. Covid has led to the suspension of the rules. In particular, the one that sets the ratio between deficit and GDP at 3%. The European Commission launched a public consultation on its revision in October 2021 and committed to providing guidelines to states in the first quarter of 2022, so that they can design their budgets in time for the return to force of the Pact, scheduled for January 1st, 2023.

Also for the current year there were no requests for moratoria received from Customers and therefore it was not necessary to introduce specific contractual conditions such as to modify the possible derecognition from the financial statements.
For what has been described above, since no loans subject to "moratoriums" or concession measures or guaranteed by the State or other Public Bodies have been granted, the financial information dedicated to them have not been produced in the following paragraphs (Part B – Balance sheet information, Part C – Income statement information and Part E – Information on risks and related hedging policies) as per the Bank of Italy's communication of December 21st, 2021, which supplemented the provisions governing "The financial statements of IFRS intermediaries other than banking intermediaries" to provide the market with information on the effects that Covid-19 and the measures to support the economy have produced on risk management strategies, objectives and policies, as well as the economic and financial situation of intermediaries.
Regarding the determination of expected losses on non-performing loans, please refer to Section 3 – Information on risks and related hedging policies, in the Section on Credit Risk.

Amendment of the accounting standard IFRS 16

With the publication in the European Official Journal of August 31st, 2021, Commission Regulation No 2021/1421 of August 30th, 2021 amending the International Financial Reporting Standard (IFRS) 16 Leasing was published, intervening on Regulation (EC) No 1126/2008 which provides for companies to apply the new amendment from April 1st, 2021 for financial years starting at the latest on or after the January 1st, 2021.
In particular, paragraphs 46A and 46B provide that amendments apply only to concessions on royalties that are a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:
a) the change in the payments due for the leasing entails a revision of the lease consideration which is substantially equal to or less than the lease consideration immediately preceding the change;
b) any reduction in payments due for leasing only concerns payments originally due before June 30th, 2022 inclusive (for example, a royalty concession would comply with this condition if it resulted in a reduction in payments due for the lease before June 30th, 2022 inclusive and an increase in payments due for the lease beyond June 30th, 2022);
c) there is no material change to the other terms and conditions of the leasing.
The Company, in line with the Banca Popolare di Sondrio Group, has not requested any suspension of payment of leasing installments to face the emergency, and no closure of branches has been carried out that may have revealed indicators of impairment of 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/expense” 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.

Reform of interest rate benchmarks (IFRS7):

The so-called “IBOR reform” follows the recommendations of the Financial Stability Board (FSB) following the G20's request to carry out a radical revision of the main interest rate benchmarks. The request is a direct consequence of the loss of reliability of some existing

benchmark rates as a result of the alleged manipulation of the same corroborated by the rarefaction of liquidity in interbank markets in the period following the economic crisis.
Starting from 2021, Regulation no. 25/2021 of January 13st, 2021 is mandatory and for the first time, which transposes the document "Reform of the benchmarks for the determination of interest rates – phase 2 Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16".
Following an assessment, the impact of the reform for the Company is not significant.
Referring to the Information of public funds pursuant to the art. 1, paragraph 125 of the law August 4th, 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 2021 financial year are provided below.

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

Lending Institution	Beneficiary Institution	Grant Date	Required amount	Total Amount disbursed	Amount disbursed in the year
Banks and Insurance Fund	Factorit s.p.a	Jan-2016	69.000	69.000	-
Banks and Insurance Fund	Factorit s.p.a	Feb-2016	21.634	21.634	-
Banks and Insurance Fund	Factorit s.p.a	Oct-2017	75.920	75.920	-
Banks and Insurance Fund	Factorit s.p.a	Mar-2018	2.543	2.224	-
Banks and Insurance Fund	Factorit s.p.a	Mar-2018	1.543	1.538	-
Banks and Insurance Fund	Factorit s.p.a	Dec-2018	52.200	52.200	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 September 20th, 2017, whose mandate expires on the date of approval of the financial statements of Factorit S.p.A. as of December 31st, 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 next12 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. Con riferimento ai rapporti *in bonis*, la valutazione avviene su base forfettaria, considerando i parametri di rischio di Probabilità di *Default* (PD) e *Loss Given Default* (LGD), nonché dell'esposizione al momento al *default* (EAD).

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.
To carry out the collective evaluations on performing loans, the following were carried out:

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 on the balance sheet date:

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 ecoverable 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 and 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

The allocation of income components in the relevant income statement items takes place for interest expense that is allocated under "Interest expense and similar charges".

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 transaction

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".

Revenue 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 VALURE 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	1.101.478	-	65.076	1.166.554
3. Hedging derivatives	-	-	-	-
4. Property and equipment	-	-	-	-
5. Intangible assets	-	-	-	-
Total	1.101.478	-	**65.076**	**1.166.554**
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) financia lassets designated at fair value	of which: c)otherfinancial 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	31/12/2021				31/12/2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	2.925.740.147	-	-	2.925.740.147	2.607.263.157	-	-	2.607.263.157
2. Tangible assets held for investments	-	-	-	-	-	-	-	-
3. Non-current assets held for trade and disposal groups	-	-	-	-	-	-	-	-
Total	**2.925.740.147**	**-**	**-**	**2.925.740.147**	**2.607.263.157**	**-**	**-**	**2.607.263.157**
1. Financial liabilities measured at amortised cost	2.676.529.160	-	-	2.676.529.160	2.378.212.343	-	-	2.378.212.343
2. Liabilities associated to assets disposal	-	-	-	-	-	-	-	-
Total	**2.676.529.160**	**-**	**-**	**2.676.529.160**	**2.378.212.343**	**-**	**-**	**2.378.212.343**

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.

	31/12/2021	31/12/2020
a) Cash	2.321	2.180
c) Current accounts and demand deposits with banks	2.035.110	4.616.120
Total	**2.037.431**	**4.618.300**

Following the regulatory update (circular 262 - 7th update of October 29th, 2021), for comparative purposes, the balances of current accounts representing the occasional and temporary storage at Credit Institutions, originating mainly from the receipts received at the end of the period, were presented for the 2020 financial year, in the "item c)" of the table.

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	31/12/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	-	-	-	-	-	-
1.1. Structured	-	-	-	-	-	-
1.2. Other	-	-	-	-	-	-
2. Equity Instruments	1.101.478	-	65.076	-	-	835.935
3. Financing	-	-	-	-	-	-
Total	**1.101.478**	-	**65.076**	-	-	**835.935**

Equity securities are represented by:

- participation in the Compagnia Aerea Italiana S.p.A. (L3) since, from July 4th, 2017, the company has converted the receivable in compliance with the restructuring agreement of December 22th, 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.
- Webuild S.p.A. Shares (formerly Astaldi S.p.A.) (L1) and participatory financial instruments of Astaldi S.p.A. allocated in the amount of 12.493 shares for every 100 Euro of ascertained credit and, for another part, with the assignment of Participatory Financial Instruments (PFIs) at the rate of number one PFIs for every euro of credit ascertained. With effect from August 1st, 2021, following the execution of the proportional partial demerger of Astaldi S.p.A. into Webuild S.p.A. the latter took over all existing relationships without prejudice to the effects of the composition of Astaldi S.p.A. approved by the Court of Rome on July 17th, 2020.

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

	31/12/2021	31/12/2020
1. Debt instruments	-	-
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions	-	-
of which: insurance institutions	-	-
d) Non-financial institutions	-	-
2. Equity instruments	1.166.554	835.935
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions of which: insurance institutions	-	-
d) Non-financial institutions	-	-
3. Financing	1.166.554	835.935
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions	-	-
of which: insurance institutions	-	-
d) Non-financial institutions	-	-
e) Households	-	-
Total	**1.166.554**	**835.935**

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	31/12/2021						31/12/2020					
	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	-	-	-	-	-	-	-	-	-	-	-	-
2. Current accounts	-	-	-	-	-	-	-	-	-	-	-	-
3. Financing	**1.043.917**	-	-	-	-	**1.043.917**	**54.577.003**	-	-	-	-	**54.577.003**
3.1 Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Financial Leases	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Factoring	1.043.917	-	-	-	-	1.043.917	20.218	-	-	-	-	20.218
- with recourse	-	-	-	-	-	-	20.218	-	-	-	-	20.218
- without recourse	1.043.917	-	-	-	-	1.043.917	-	-	-	-	-	-
3.4 Other financing	-	-	-	-	-	-	54.556.785	-	-	-	-	54.556.785
4. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-	-	-	-	-	-
5. Other assets	**4.130.966**	-	-	-	-	**4.130.966**	**9.300.391**	-	-	-	-	**9.300.391**
Total	**5.174.883**	-	-	-	-	**5.174.883**	**63.877.394**	-	-	-	-	**63.877.394**

The deviation in the item "Other financing", compared to the previous year, is mainly due to the collection of a transaction outstanding at the end of last year.

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.

Caption 5 "Other assets" relates, for Euro 4.129.137, to sums advanced to Transferors on behalf of Credit Institutions, 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	31/12/2021						31/12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Of which: purchased or originated	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated	L1	L2	L3
1. Financing	**344.124.488**	-	-	-	-	**344.124.488**	**30.109.698**	-	-	-	-	**30.109.698**
1.1 Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Financial Leases	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	292.003.372	-	-	-	-	292.003.372	27.796.612	-	-	-	-	27.796.612
- with recourse	291.024.739	-	-	-	-	291.024.739	27.796.612	-	-	-	-	27.796.612
- without recourse	978.633	-	-	-	-	978.633	-	-	-	-	-	-
1.4 Other financing	52.121.116	-	-	-	-	52.121.116	2.313.086	-	-	-	-	2.313.086
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**73.484**	-	-	-	-	**73.484**	**3.380**	-	-	-	-	**3.380**
Total	**344.197.972**	-	-	-	-	**344.197.972**	**30.113.078**	-	-	-	-	**30.113.078**

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	31/12/2021						31/12/2020					
	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	**2.575.155.962**	**1.211.313**	-	-	-	**2.576.367.275**	**2.509.900.301**	**3.372.384**	-	-	-	**2.513.272.685**
1.1 Financial leases	-	-	-	-	-	-	-	-	-	-	-	-
of which: without purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	2.443.655.316	1.176.306	-	-	-	2.444.831.622	2.348.231.008	3.056.667	-	-	-	2.351.287.675
- with recourse	1.380.595.395	1.025.746	-	-	-	1.381.621.141	1.633.538.193	2.256.883	-	-	-	1.635.795.076
- without recourse	1.063.059.921	150.560	-	-	-	1.063.210.481	714.692.815	799.784	-	-	-	715.492.599
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	131.500.646	35.007	-	-	-	131.535.653	161.669.293	315.717	-	-	-	161.985.010
of which: from the enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**17**	-	-	-	-	**17**	-	-	-	-	-	-
Total	**2.575.155.979**	**1.211.313**	-	-	-	**2.576.367.292**	**2.509.900.301**	**3.372.384**	-	-	-	**2.513.272.685**

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 773.190 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 104.573.001 of advances for assignments for loans and receivables that do not fall under the scope of Law no. 52/91;
- Euro 26.154.455 related to other financing.

The impaired “Other financing” includes:

- Euro 180 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 34.827 relating to advances related to credit assignments not falling within the scope of Law 52/91.

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

Type of operations/Amounts	31/12/2021			31/12/2020		
	First and second stage First and second stage	Third stage	of which: purchased or originated credit impaired financial assets	First and second stage 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	-	-	-	-	-	-
2. Financing to:	**2.575.155.979**	**1.211.313**	-	**2.509.900.301**	**3.372.384**	-
a) Public administrations	261.801.023	-	-	343.523.090	274.733	-
b) Non-financial institutions	2.127.180.080	1.090.112	-	2.147.859.828	3.090.018	-
c) Households	186.174.876	121.201	-	18.517.383	7.633	-
3. Other Assets	-	-	-	-	-	-
Total	**2.575.155.979**	**1.211.313**	-	**2.509.900.301**	**3.372.384**	-

The significant increase in the sub-caption “Households” is a consequence of the signing during the year of a new contract, non-recourse registered, to a credit card operator. Therefore, the receivables from the debtors transferred are exposed to the assets.

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

	Gross amount					Total gross impairment losses				
	First stage	Of which: Instruments with low credit risk	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	Total partial Write-off
Debt Instruments	-	-	-	-	-	-	-	-	-	-
Financing	2.855.758.016	-	72.742.999	12.702.782	-	3.755.964	216.217	11.491.469	-	32.703.642
Other Assets	-	-	-	-	-	-	-	-	-	-
31/12/2021	**2.855.758.016**	**-**	**72.742.999**	**12.702.782**	**-**	**3.755.964**	**216.217**	**11.491.469**	**-**	**32.703.642**
31/12/2020	**2.548.211.644**	**-**	**60.499.314**	**19.098.920**	**-**	**4.669.928**	**150.257**	**15.726.536**	**-**	**49.986.003**

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2021						31/12/2020					
	Loans and receivables with banks		Loans and receivables with financial institutions		Loans and receivables with customers		Loans to banks		Loans with financial institutions		Loans with customers	
	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV
1. Performing assets guaranteed by:	**32.706**	**32.706**	**291.008.966**	**291.008.966**	**1.809.821.022**	**1.737.857.160**	-	-	**27.766.368**	**27.766.368**	**1.835.522.469**	**1.833.480.504**
– Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
– Factoring receivables	-	-	289.672.921	289.672.921	1.329.930.400	1.329.930.400	-	-	27.686.852	27.686.852	1.589.459.889	1.589.459.889
– Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
– Pledges	-	-	-	-	-	-	-	-	-	-	-	-
– Collateral	32.706	32.706	1.336.045	1.336.045	479.890.622	407.926.760	-	-	79.516	79.516	246.062.580	244.020.615
– Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Attività deteriorate garantite da:	-	-	-	-	**257.144**	**257.144**	-	-	-	-	**606.590**	**606.590**
– Beni in leasing finanziario	-	-	-	-	-	-	-	-	-	-	-	-
– Crediti per factoring	-	-	-	-	249.100	249.100	-	-	-	-	258.691	258.691
– Ipoteche	-	-	-	-	6.269	6.269	-	-	-	-	11.784	11.784
– Pegni	-	-	-	-	-	-	-	-	-	-	-	-
– Garanzie personali	-	-	-	-	1.775	1.775	-	-	-	-	336.115	336.115
– Derivati su crediti	-	-	-	-	-	-	-	-	-	-	-	-
Totale	**32.706**	**32.706**	**291.008.966**	**291.008.966**	**1.810.078.166**	**1.738.114.304**	-	-	**27.766.368**	**27.766.368**	**1.836.129.059**	**1.834.087.094**

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	31/12/2021	31/12/2020
1. Owned	**129.578**	**231.591**
a) land	-	-
b) buildings	-	-
c) furniture	15.442	33.051
d) electronic system	39.273	48.822
e) other	74.863	149.718
2. Rights of use under leasing	**17.344.491**	**6.002.039**
a) land	-	-
b) buildings	17.295.079	5.904.119
c) furniture	-	-
d) electronic system	-	-
e) other	49.412	97.920
Total	**17.474.069**	**6.233.630**
Of which: obtained through the enforcement of guarantees received	-	-

With regard to the sub-caption "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 17.189.415; in particular, during the year, a new contract was signed with a Group Company for a period of 9 years renewable for the same duration.

8.6 Property and equipment: annual changes

	Land	Buildings	Forniture	Electronic system	Other	Total
A. Gross opening balance	-	**8.769.424**	**400.658**	**418.346**	**825.468**	**10.413.896**
A.1 Total net impairment losses	-	2.865.305	367.607	369.524	577.830	4.180.266
A.2 Net opening balance	-	**5.904.119**	**33.051**	**48.822**	**247.638**	**6.233.630**
a) Adjustment opening balance (IAS 8)	-	-	-	-	-	-
B. Increases	-	**16.481.862**	**568**	**9.540**	-	**16.491.970**
B.1 Purchase	-	16.481.862	568	9.516	-	16.491.946
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	-	-	-	24	-	24
C. Decreases	-	**5.090.902**	**18.177**	**19.089**	**123.363**	**5.251.531**
C.1 Sales	-	-	-	-	10.253	10.253
C.2 Depreciation	-	1.365.972	18.042	18.781	113.110	1.515.905
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	-	3.724.930	135	308	-	3.725.373
D. Net closing balance	-	**17.295.079**	**15.442**	**39.273**	**124.275**	**17.474.069**
D.1 Total net impairment losses	-	1.009.965	385.600	386.803	539.791	2.322.159
D.2 Gross closing balance	-	**18.305.044**	**401.042**	**426.076**	**664.066**	**19.796.228**
E. Measurement at cost	-	**17.295.079**	**15.442**	**39.273**	**124.275**	**17.474.069**

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

	Land	Buildings	Forniture	Electronic system	Other	Total
A. Gross opening balance	-	**8.769.424**	-	-	**160.876**	**8.930.300**
A.1 Total net impairment losses	-	2.865.305	-	-	62.956	2.928.261
A.2 Net opening balance	-	**5.904.119**	-	-	**97.920**	**6.002.039**
a) Adjustment opening balance (IAS 8)	-	-	-	-	-	-
B. Increases	-	**16.481.862**	-	-	-	**16.481.862**
B.1 Purchase	-	16.481.862	-	-	-	16.481.862
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	-	**5.090.902**	-	-	**48.508**	**5.139.410**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1.365.972	-	-	48.508	1.414.480
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	-	3.724.930	-	-	-	3.724.930
D. Net closing balance	-	**17.295.079**	-	-	**49.412**	**17.344.491**
D.1 Total net impairment losses	-	1.009.965	-	-	78.602	1.088.567
D.2 Gross closing balance	-	**18.305.044**	-	-	**128.014**	**18.433.058**
E. Measurement at cost	-	**17.295.079**	-	-	**49.412**	**17.344.491**

With regard to the items manufactured during the year, a new contract was signed with a Group company for a period of 9 years renewable for the same duration.

Section 9 *Intangible assets*

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

9.1 “Intangible assets”: composition

Captions/Amounts	31/12/2021		31/12/2020	
	Assets measured at cost	**Assets measured at FV**	**Assets measured at cost**	**Assets measured at FV**
1. Goodwill	-	-	-	-
2. Other intangible assets				
Of which: software	-	-	-	-
2.1 Owned	411.388	-	560.045	-
- internally generated assets	221.740	-	414.224	-
- other	189.648	-	145.821	-
2.2 Under finance lease	-	-	-	-
Total 2	**411.388**	-	**560.045**	-
3. Assets under finance lease				
3.1 Unopted assets	-	-	-	-
3.2 Withdraw due to termination lease	-	-	-	-
3.3 Other assets	-	-	-	-
Total 3	-	-	-	-
Total (1+2+3)	**411.388**	-	**560.045**	-

The caption “Other intangible assets – internally generated assets” contains the investments to develop software applications for innovations that generates future economic benefits, as required by the IAS 38.
During the year, some assumptions due also to the persistence of the pandemic period were lost, the previously suspended costs of projects no longer considered strategic were adjusted for approximately Euro 127 thousand.

9.2 Intangible assets: annual changes

	Totale
A. Opening balance	**560.045**
B. Increases	**119.100**
B.1 Purchases	119.100
B.2 Reversal of impairment losses	-
B.3 Fair value gains recognized in:	-
- equity	-
- profit & loss	-
B.4 Other increases	-
C. Decreases	**267.757**
C.1 Sales	-
C.2 Amortisation	140.268
C.3 Impairment losses recognized in:	-
- equity	-
- profit & loss	-
C.4 Fair value losses recognized in:	-
- equity	-
- profit & loss	-
C.5 Other decreases	127.489
D. Closing balance	**411.388**

Section 10 *Tax assets and liabilities*

Article 16 of Law decree no. 83/2015, enacted on June 27th, 2015, subsequently converted by Law no. 132/2015 of August 6th, 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 31/12/2021	Total 31/12/2020
Current tax assets	1.049.153	1.108.934
Deferred tax assets (through equity)	144.872	236.051
Deferred tax assets (through profit & loss)	17.051.491	20.481.021
Total	**18.245.516**	**21.826.006**

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.
However, on a transitional basis for the year 2015 such impairment losses are deductible up to 75% of their total amount. The 2015 excess and the credit write-downs recorded until the period in progress at 31/12/2014 which have not yet been deducted are deductible into parts from year 2016 to 2025.
According to the changes introduced by Art. 1, paragraph 1056, of Law no. 145/2018 which deferred the 10% quota provided for by the aforementioned Art. 16 for the tax period in progress at 31/12/2018 to the tax period in progress at 31/12/2026.
Also with the changes introduced by Art. 1, paragraph 712, of Law no. 160/2019 which deferred the 12% quota provided for by Art. 16 for the tax period in progress at 31/12/2019 on a straight-line basis for the tax period in progress at 31/12/2022 and the following three (3% per year).
Taking into account the aforementioned changes 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 percentages: 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.

The "Decreto Sostegni Bis" has introduced, for the 2021 tax period, the so-called Innovative ACE which recognizes, for equity capital increases made during 2021, a notional return with the application of a rate of 15% for a maximum amount of 5 million Euros and the application of the "normal" notional yield of 1.30% on the remaining part.

10.2 “Tax liabilities: current and deferred”: composition

Captions	Total 31/12/2021	Total 31/12/2020
Current tax liabilities	1.550.373	544.209
Deferred tax liabilities (through equity)	2.039.162	2.039.162
Deferred tax liabilities (through profit & loss)	27	261
Total	**3.589.562**	**2.583.632**

“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)

	31/12/2021	31/12/2020
1. Opening balance	**20.481.021**	**23.554.641**
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	**3.429.530**	**3.206.272**
3.1 Deferred tax assets recognized in the year	3.429.530	3.206.272
a) reversals	3.429.530	3.206.272
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	**17.051.491**	**20.481.021**

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

	31/12/2021	31/12/2020
1. Opening balance	**19.925.192**	**23.113.222**
2. Increases	**-**	**-**
3. Decreases	**3.188.030**	**3.188.030**
3.1 Reversals	3.188.030	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	**16.737.162**	**19.925.192**

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

	31/12/2021	31/12/2020
1. Opening balance	**261**	**99**
2. Increases	**-**	**162**
2.1 Deferred tax liabilities recognized in the year	-	162
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) other	-	162
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**234**	**-**
3.1 Deferred tax liabilities derecognized in the year	234	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	234	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**27**	**261**

10.5 Changes in deferred tax assets (recognized in equity)

	31/12/2021	31/12/2020
1. Opening balance	**236.051**	**154.999**
2. Increases	**-**	**81.052**
2.1 Deferred tax liabilities recognized in the year	-	81.052
a) related to previous year	-	-
b) due to changes in accounting policies	-	-
c) other	-	81.052
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**91.179**	**-**
3.1 Deferred tax liabilities derecognized in the year	91.179	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	91.179	-
3.3 Other decreases	-	-
4. Closing balance	-	-
1. Opening balance	**144.872**	**236.051**

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

10.6 Changes in deferred tax liabilities (recognized in equity)

	31/12/2021	31/12/2020
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 changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities 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	**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

	31/12/2021	31/12/2020
Tax credits (not classifiable as tax assets)	200.385	197.619
Credit to Parent Company for tax consolidation	-	1.007.790
Items in transit not yet posted to destination accounts	-	2.312.532
Guarantee deposits	22.680	22.100
Advances to suppliers	270	2.090
Prepayments and accrued income not recognisable under a specific caption	452.012	465.751
Other items	986.612	593.055
Total	**1.661.959**	**4.600.937**

The captions “tax credits” contains the amount of Euro 165.016 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 “Other items” contains the credits with BpM (former Banca Italease S.p.a.) for Euro 324.891, 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.

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	31/12/2021			31/12/2020		
	With banks	With financial institutions	With customers	With banks	With financial institutions	With customers
1. Financing	2.628.676.460	-	-	2.364.476.756	-	-
1.1 repurchase agreements	-	-	-	-	-	-
1.2 other financing	2.628.676.460	-	-	2.364.476.756	-	-
2. Lease liabilities	1.039.459	-	16.345.777	1.265.793	2.071	4.712.891
3. Other debts	2.339.141	11.216.466	16.911.857	2.286.979	-	5.467.853
Total	**2.632.055.060**	**11.216.466**	**33.257.634**	**2.368.029.528**	**2.071**	**10.180.744**
Fair value – level 1	-	-	-	-	-	-
Fair value – level 2	-	-	-	-	-	-
Fair value – level 3	2.632.055.060	11.216.466	33.257.634	2.368.029.528	2.071	10.180.744
Total fair value	**2.632.055.060**	**11.216.466**	**33.257.634**	**2.368.029.528**	**2.071**	**10.180.744**

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.

Due to banks include:

Description	Amount
On demand current account exposures	145.950.635
Advances under reserve on cash orders or direct debits	-
Hot money at maturity	223.000.000
Commissions to be paid	374.198
Foreign currency advances	239.012.869
Supplier invoices received and to be received	300.544
Due to parent	2.022.863.539
Accrued expenses on hot money	808
Accrued under reserve on cash orders or direct debits	-
Accrued expenses on foreign currency advances	39.127
Due to principals	513.340
Total	**2.632.055.060**

The caption "Other Debts" 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 Debts" 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 01/01/2021	Financial flows	Interests	Other changes	Carrying Amount at 31/12/2021
Properties	5.884.860	(1.186.842)	76.762	12.562.564	17.337.344
Cars	95.895	(48.069)	66	-	47.892
Others	-	-	-	-	-
Total	5.980.755	(1.234.911)	76.828	12.562.564	17.385.236

At 31.12.2021 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 1.06%.
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	1.256.134	4.758.131	5.161.150	7.750.000
Cars	30.742	17.164	-	-
Others	-	-	-	-
Total	1.286.876	4.775.295	5.161.150	7.750.000

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

	31/12/2021	31/12/2020
Taxes payable	537.235	591.671
Tax consolidation	2.346.563	-
Personnel	303.938	219.650
Social security institutions	559.952	566.615
Suppliers	700.235	783.409
Invoices to be received	459.101	465.557
Amounts to be credited under processing	8.676.437	5.549.891
Directors and Statutory auditors	54.704	77.272
Other	5.067.230	4.839.890
Total	**18.705.395**	**13.093.955**

The caption “Amounts to be credited under processing” includes:
- Euro 4.091.977 for remittances received but not yet allocated to the relevant captions;
- Euro 4.584.460 for effects being credited which refer exclusively to portfolio processing relating to payments from the Debtors transferred which, by accounting date, are credited to the counterparty Customers with different timings than the credits by the presentation banks.

The caption “Other” includes:
- Euro 3.582.422 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 638.990 for unallocated deferred income, for Euro 723.066 for items awaiting settlement and Euro 122.752 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

	31/12/2021	31/12/2020
A. Opening balance	**2.161.392**	**2.255.181**
B. Increases	**(46)**	**25.334**
B.1 Accruals	(46)	7.327
B.2 Other increases	-	18.007
C. Decreases	**146.795**	**119.123**
C.1 Payments	140.035	119.123
C.2 Other decreases	6.760	-
D. Closing balance	**2.014.551**	**2.161.392**

The amount, calculated according to the national legislation, amounts to Euro 1.778.570. 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:

	31/12/2021	31/12/2020
Technical discount rate	0,19%	0,22%
Annual inflation rate	1,50%	1,50%

Regarding the average discount rate, the value of the I-Boxx Corporates EUR AA 5-7 taken on December 10th, 2021 was taken as a reference.

Section 10 *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	31/12/2021	31/12/2020
1. Provisions for credit risk relating to financial commitments and guarantees given	291.388	536.243
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for pensions	-	-
4. Other provisions for risks and charges	851.620	1.002.579
4.1. legal disputes	-	352.000
4.2. personnel expense	851.620	650.579
4.3. other	-	-
Total	**1.143.008**	**1.538.822**

The sub-caption "1. Provisions for credit risk relating to financial commitments and guarantees given" refers to value adjustments (stage 1 and stage 2) calculated on commitments and on the "committed lines" issued to some high-standing clients according to the methodologies defined following the introduction of IFRS9; for adjustments relating to impaired positions, write-downs are analytically affixed.
It should be noted that during the year the company liquidated the legal dispute set aside for Euro 0,4 thousand in previous years and for Euro 0,1 thousand during the current one.

The sub-caption "Personnel expense" is entirely composed of appropriations for productivity bonuses.

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	**-**	**-**	**1.002.579**	**1.002.579**
B. Increases	**-**	**-**	**705.857**	**705.857**
B.1 Accruals	-	-	705.857	705.857
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**856.816**	**856.816**
C.1 Utilisations	-	-	856.816	856.816
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other decreases	-	-	-	-
D. Closing balance	**-**	**-**	**851.620**	**851.620**

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	Impaired acquired or originated	Total
Commitments to grant funds	277.989	10.153	3.246	-	291.388
Financial guarantees given	-	-	-	-	-
Total	**277.989**	**10.153**	**3.246**		**291.388**

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	31/12/2021
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 December 31st, 2021 or at December 31st, 2020.

11.3 Equity instruments: composition

The company had not issued equity instruments either at December 31st, 2021 or at December 31st, 2020.

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	To cover losses
Share capital	85.000.002	-	-	-	-
Equity-related reserves	-	-	-	-	-
Income-related reserves					
Legal reserve	12.839.990	B	-	-	-
Share premium	11.030.364	A-B	5.209.011	-	-
Share premium	-	A-B-C	5.821.353	-	-
Other reserves	139.157.846	A-B-C	133.777.610	-	-
Other reserves	-	A-B	5.380.236	-	-
Retained earnings	560.045	A-B-C	560.045	-	-
Total	**240.382.240**	**-**	**150.748.255**	**-**	**-**
Non-distributable portion	**-**	**-**	**10.589.247**	**-**	**-**
Remaining distributable portion	**-**	**-**	**140.159.008**	**-**	**-**

Legend: A - for capital increase; B - to cover losses; C - for distribution to members.

It should be noted that “Other reserves” include: FTA reserve equal to Euro 5.350.212 related to IAS first impact; the reserve for unexercised stock option equal to Euro 304.394; Euro -384.011 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 -104.999 to the valuation of Webuild 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 December 31st, 2021 is hereby shown:

Net profit for the year..	Euro	16.167.141
Profits from previous year..	Euro	560.045
Profit to allocate..	Euro	16.727.186
Of which:..		
5% of the profit to Legal reserve...	Euro	808.357
Dividend Euro 0.13 to each of the		
n. 85.000.0002 shares outstanding..	Euro	11.050.000
Profits to Extraordinary reserve	Euro	4.457.441
Retained profits	Euro	411.388

11.6 Composition of caption 160 “Valuation reserves”

The caption shows a negative balance for Euro -310.385, of which Euro -384.011 referred to actuarial gains/losses relating post-employment benefits and for Euro 73.626 entirely related to the valuation of a share security as shown in table 3.1 of part B "Note to the statement of financial position".

OTHER INFORMATION

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

	Nominal value on financial commitments and guarantees given				31/12/2021	31/12/2020
	First stage	Second stage	Third stage	Impaired acquired or originated		
1. Commitments to grant funds	**372.955.108**	**9.301.556**	**173.357**	**-**	**382.430.021**	**1.006.597.271**
a) Public administrations	1.630.439	3.151.455	-	-	4.781.894	3.407.646
b) Banks	260.006	-	-	-	260.006	3.431
c) Other financial institutions	9.217.996	-	-	-	9.217.996	182.110
d) Non-financial institutions	360.206.575	6.146.010	172.770	-	366.525.355	985.242.865
e) Households	1.640.092	4.091	587	-	1.644.770	17.761.219
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	31/12/2021	31/12/2020
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:	-	16.930.741	-	16.930.741	19.246.646
3.1 with banks	-	21.807	-	21.807	60.150
3.2 with financial institutions	-	2.532.196	-	2.532.196	2.219.132
3.3 with customers	-	14.376.738	-	14.376.738	16.967.364
4. Hedging derivatives	-	-	-	-	-
5. Other assets	-	-	779	779	818
6. Financial liabilities	-	-	-	-	-
Total	**-**	**16.930.741**	**779**	**16.931.520**	**19.247.464**
Of which: interest income on impaired financial assets	-	86.999	-	86.999	149.935
Of which: interest income on leasing	-	-	-	-	-

1.2 Interest and similar income: other disclosure

Foreign currency interest income on loans and receivables with customers and financial institutions amounts to Euro 1.475.333 (Euro 2.420.757 in 2020).

1.3 Interest and similar expense: composition

Captions/Descriptions	Financing	Securities	Other transactions	31/12/2021	31/12/2020
1. Financial liabilities measured at amortised cost					
1.1 Due to banks	(577.265)	-	-	(577.265)	(1.655.038)
1.2 Due to financial institutions	(1)	-	-	(1)	(18)
1.3 Due to customers	(66.107)	-	-	(66.107)	(37.923)
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	-	-	-	-	-
Total	**(643.373)**	-	**-**	**(643.373)**	**(1.692.979)**
of which: interest expenses related to lease financing	**(76.828)**	-	**-**	**(76.828)**	**(50.666)**

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	31/12/2021	31/12/2020
A. Financial leasing	**-**	**-**
B. Factoring	**22.883.176**	**19.796.035**
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	**2.461.124**	**2.046.315**
Total	**25.344.300**	**21.842.350**

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 31 December 2021, Euro 3.582.422 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	31/12/2021	31/12/2020
A. Guarantees received	**(736.054)**	**(445.482)**
B. Distribution of third-party services	**-**	**-**
C. Collection and payment services	**-**	**-**
D. Other fee and commissions	**(2.714.512)**	**(2.698.426)**
d.1 factoring	(1.677.984)	(1.551.994)
d.2 other	(1.036.528)	(1.146.432)
Total	**(3.450.566)**	**(3.143.908)**

As per item 40, fee and commission expense based on one-off fee and commission income are treated similarly. At 31 December 2021 the stated amount was Euro 148.763.

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	**-**	**-**	**-**	**-**	**24.280**
4. Hedging instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives of which: natural hedges with the fair value option	-	-	-	-	-
Total	-	-	-	-	**24.280**

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	Value Adjustments						Reversal of impairment				31/12/2021	31/12/2020
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			write-off	Others	write-off	Others						
A. Loans and receivables with banks	**(668)**	**-**	**-**	**-**	**-**	**-**	**316.874**	**-**	**-**	**-**	**316.206**	**(316.852)**
– leases	-	-	-	-	-	-	-	-	-	-	-	-
– factoring	(668)	-	-	-	-	-	40	-	-	-	(628)	(40)
– other	-	-	-	-	-	-	316.834	-	-	-	316.834	(316.812)
B. Loans and receivables with financial institutions	**(303.666)**	**-**	**-**	**-**	**-**	**-**	**89.095**	**-**	**-**	**-**	**(214.571)**	**(71.389)**
– leases	-	-	-	-	-	-	-	-	-	-	-	-
– factoring	(277.630)	-	-	-	-	-	84.181	-	-	-	(193.449)	(66.475)
– other	(26.036)	-	-	-	-	-	4.914	-	-	-	(21.122)	(4.914)
C. Loans and receivables with customers	**(3.329.078)**	**(216.217)**	**-**	**(1.295.308)**	**-**	**-**	**4.141.278**	**150.257**	**4.707.867**	**-**	**4.158.799**	**(4.644.219)**
– leases	-	-	-	-	-	-	-	-	-	-	-	-
– factoring	(3.053.654)	(101.020)	-	(954.063)	-	-	3.650.014	138.033	3.975.406	-	3.654.716	(5.374.320)
– consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
– pawn loans	-	-	-	-	-	-	-	-	-	-	-	-
– other	(275.424)	(115.197)	-	(341.245)	-	-	491.264	12.224	732.461	-	504.083	730.101
Total	**(3.633.412)**	**(216.217)**	**-**	**(1.295.308)**	**-**	**-**	**4.547.247**	**150.257**	**4.707.867**	**-**	**4.260.434**	**(5.032.460)**

The table shows what is recognized in the income statement consequently and in relation to the process of assessing the loan portfolio.

The decrease in value adjustments for the first and second stages is due, in continuity with the IFRS 9 methodological framework in force, to the transposition of the set of macroeconomic scenarios and weighting factors used for the Parent Company's loan portfolio that report an improvement in the same despite the persistence of the Covid-19 pandemic emergency; while with regard to stage 3, the recoveries in value are essentially attributable to receipts received, for Euro 1,5 million, on the Webuild S.p.A. position (former Astaldi S.p.A.) and to receipts received, for Euro 0,8 million, relating to practices passed at a loss in previous years.

Section 10 *Administrative expeses*

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

10.1 Administrative expenses: composition

Breakdown	31/12/2021	31/12/2020
1. Employees	**(13.164.611)**	**(13.543.298)**
a) Wages and salaries	(9.174.196)	(9.356.940)
b) Social security contributions	(2.674.632)	(2.688.783)
c) Post-employment benefits	-	-
d) Pension costs	-	-
e) Accrual for post-employment benefits	46	(7.327)
f) Accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) Payments to external supplementary pension:	(791.805)	(824.822)
- defined contribution plans	(791.805)	(824.822)
- defined benefit plans	-	-
h) Other costs	(524.024)	(665.426)
2. Other personnel	**(70.446)**	**(13.920)**
3. Directors and statutory auditors	**(330.438)**	**(336.958)**
4. Retired personnel	**-**	**-**
5. Cost recoveries for personnel seconded to other companies	**490.763**	**390.311**
6. Cost reimbursements for personnel seconded to the company	**-**	**-**
Total	**(13.074.732)**	**(13.503.865)**

10.2 Average number of employees by category

Breakdown	31/12/2021		31/12/2020	
	Average	Exact	Average	Exact
Employees	**156**	**154**	**167**	**163**
a) Managers	4	4	7	7
b) Junior managers	78	76	80	80
Of which 3rd e 4th level	43	42	44	45
c) Other employees	74	74	80	76
Other personnel	**3**	**3**	**2**	**1**

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

10.3 Other administrative expenses: composition

	31/12/2021	31/12/2020
Building costs:	(119.089)	(79.314)
- leases and maintenance	(102.220)	(37.407)
- utilities	(16.869)	(41.907)
Indirect taxes and duties	(1.189.043)	(1.338.258)
Postal, telephone, printing and other office expenses	(198.800)	(242.234)
Maintenance and charges for furniture, equipment and systems	(488.540)	(449.271)
Professional services and consultancy	(700.779)	(726.935)
Legal fees	(547.557)	(685.955)
Advertising, entertainment and gifts	(24.722)	(52.356)
Insurance premiums	(51.959)	(83.752)
Trasport, rentals and business trips	(312.399)	(301.052)
Outsourcing	(787.242)	(767.021)
Data registration by third parties	(113.168)	(181.554)
Membership fees	(69.486)	(68.278)
Outsourcing within Group	(50.000)	(50.000)
Outsourcing outside the Group	(65.904)	(65.300)
Other	(305.242)	(361.619)
Total	**(5.023.930)**	**(5.452.899)**

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	31/12/2021	31/12/2020
Net accruals for credit risk inherent commitments to grant funds and given financial guarantees	(2.107)	246.962	244.855	106.266

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	31/12/2021	31/12/2020
Net accruals to other provisions for risks and charges: composition	**(114.357)**	**-**	**(114.357)**	**(205.978)**
a) legal disputes	(114.357)	-	(114.357)	(205.978)
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	(1.515.905)	-	-	(1.515.905)
- Owned	(101.425)	-	-	(101.425)
- Rights of use under leasing	(1.414.480)	-	-	(1.414.480)
A.2 Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use under leasing	-	-	-	-
A.3 Surplus	-	-	-	-
Total	**(1.515.905)**	**-**	**-**	**(1.515.905)**

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	**(140.268)**	**-**	**-**	**(140.268)**
Of which: software	-	-	-	-
1.1 owned	(140.268)	-	-	(140.268)
1.2 under finance lease	-	-	-	-
2. Assets under finance lease	-	-	-	-
3. Assets under operating lease	-	-	-	-
Total	**(140.268)**	**-**	**-**	**(140.268)**

Section 14 *Other operating income*

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

14.1 Other operating expense: composition

	31/12/2021	31/12/2020
- contingent liabilities	(59.646)	(84.696)
- decreases in fixed assets generated internally	(127.487)	-
- other	(58.291)	(2.808)
Total	**(245.424)**	**(87.504)**

The sub-caption “decreases in fixed assets generated internally” 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. During the year, some assumptions due also to the persistence of the pandemic period were lost, the previously suspended costs of projects no longer considered strategic were adjusted for approximately Euro 127 thousand.

14.2 Other operating income: composition

	31/12/2021	31/12/2020
- recovery of taxes	128.406	148.402
- recovery of costs	208.616	356.302
- income for IT services rendered	233.982	244.482
- increases in internally generated fixed assets	-	196.039
- others	304.008	392.844
Total	**875.012**	**1.338.069**

The sub-caption “others” includes the revenues referred to factoring transactions and other disposals for Euro Euro 55.631.

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

	31/12/2021	31/12/2020
1. Buildings	**-**	**-**
1.1 Gains	-	-
1.2 Losses	-	-
2. Other assets	**21.526**	**6.528**
2.1 Gains	21.733	16.360
2.2 Losses	(207)	(9.832)
Net result	**21.526**	**6.528**

The item includes exclusively what is accounted for against sales of owned company cars.

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

	31/12/2021	**31/12/2020**
1. Current taxes (-)	(3.896.935)	(544.209)
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 (+/-)	(3.429.530)	(3.073.620)
5. Change in deferred tax liabilities (+/-)	234	(162)
6. Tax expenses for the year	**(7.326.231)**	**(3.617.991)**

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	**23.493.372**
IRES	
Theoretical tax expense	6.460.677
Irap deductibility 10 % and cost of work (-)	-852
ACE – Aiuto alla crescita economica	-655.081
Other changes (+/-)	211.154
TOTAL IRES	**6.015.898**
IRAP	
Theoretical tax expense	1.308.581
Personnel expenses	6.881
Administrative expenses	27.983
Ammortization of tangigle/intangible assets	9.225
Other expenses/income	-42.337
TOTAL IRAP	**1.310.333**
TOTAL TAXES	**7.326.231**

Section 21 *Income Statement: Other Information*

21.1 Breakdown of interest and commission income

Captions/counterparties	Interest income			Commission income			31/12/2021	31/12/2020
	Banks	Finanical Institutions	Customers	Banks	Finanical Institutions	Customers		
1. Financial leases	-	-	-	-	-	-	-	-
- Real estate	-	-	-	-	-	-	-	-
- Moveable property	-	-	-	-	-	-	-	-
- Operating assets	-	-	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-	-	-
2. Factoring	**14.839**	**2.532.196**	**14.376.738**	**12.015**	**2.858.603**	**22.473.682**	**42.268.073**	**41.078.713**
- Current accounts	-	2.471.734	10.211.178	3.618	2.139.502	20.112.616	34.938.648	33.215.400
- Future loans and receivables	-	-	564.469	-	-	627.440	1.191.909	1.045.244
- Loans and receivables purchased outright	-	-	-	-	-	-	-	-
- loans and receivables purchased for less than their original value	-	-	-	-	-	-	-	-
- other financing	14.839	60.462	3.601.091	8.397	719.101	1.733.626	6.137.516	6.818.069
3. Consumer credit	-	-	-	-	-	-	-	-
- personal loans	-	-	-	-	-	-	-	-
- special purpose loans	-	-	-	-	-	-	-	-
- salary backed loans	-	-	-	-	-	-	-	-
4. Pawn loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- commercial	-	-	-	-	-	-	-	-
- financial	-	-	-	-	-	-	-	-
Total	**14.839**	**2.532.196**	**14.376.738**	**12.015**	**2.858.603**	**22.473.682**	**42.268.073**	**41.078.713**

21.2 Other information

Breakdown of interest and similar expense.

Breakdown	Amount
Current account overdrafts	(89.872)
Advances under reserve	(3.399)
Hot money	(84.988)
Foreign currency advances	(388.286)
Interests related to lease liabilities	(76.828)
Total	**(643.373)**

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	31/12/2021			31/12/2020		
	Gross amount	Impairment losses	Net value	Gross amount	Impairment losses	Net value
1. Performing assets	**2.740.265.186**	**3.562.581**	**2.736.702.605**	**2.380.055.010**	**4.007.172**	**2.376.047.838**
- exposures to assignors (with recourse)	1.674.177.624	2.557.490	1.671.620.134	1.664.295.646	2.940.623	1.661.355.023
- future loans and receivables	48.535.792	102.991	48.432.801	42.646.162	204.356	42.441.806
- other	1.625.641.832	2.454.499	1.623.187.333	1.621.649.484	2.736.267	1.618.913.217
- exposures to assigned debtors (without recourse)	1.066.087.562	1.005.091	1.065.082.471	715.759.364	1.066.549	714.692.815
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	1.066.087.562	1.005.091	1.065.082.471	715.759.364	1.066.549	714.692.815
2. Impaired assets	**9.340.625**	**8.164.319**	**1.176.306**	**15.766.194**	**12.709.527**	**3.056.667**
2.1 Bad loans exposures	**5.554.173**	**5.453.093**	**101.080**	**7.274.547**	**7.147.997**	**126.550**
- exposures to assignors (with recourse)	4.429.974	4.328.894	101.080	5.280.904	5.154.354	126.550
- future loans and receivables	349.834	344.116	5.718	329.834	324.267	5.567
- other	4.080.140	3.984.778	95.362	4.951.070	4.830.087	120.983
- exposures to assigned debtors (without recourse)	1.124.199	1.124.199	-	1.993.643	1.993.643	-
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	1.124.199	1.124.199	-	1.993.643	1.993.643	-
2.2 Unlikely-to-pay exposures	**3.785.032**	**2.711.098**	**1.073.934**	**8.482.450**	**5.560.702**	**2.921.748**
- exposures to assignors (with recourse)	1.884.925	960.259	924.666	5.477.130	3.355.166	2.121.964
- future loans and receivables	1.384.736	644.875	739.861	3.957.163	2.041.863	1.915.300
- other	500.189	315.384	184.805	1.519.967	1.313.303	206.664
- exposures to assigned debtors (without recourse)	1.900.107	1.750.839	149.268	3.005.320	2.205.536	799.784
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	1.900.107	1.750.839	149.268	3.005.320	2.205.536	799.784
2.3 Impaired past due exposures	**1.420**	**128**	**1.292**	**9.197**	**828**	**8.369**
- exposures to assignors (with recourse)	-	-	-	9.197	828	8.369
- future loans and receivables	-	-	-	-	-	-
- other	-	-	-	9.197	828	8.369
- exposures to assigned debtors (without recourse)	1.420	128	1.292	-	-	-
- purchased for less that their nominal amount	-	-	-	-	-	-
- other	1.420	128	1.292	-	-	-
Total	**2.749.605.811**	**11.726.900**	**2.737.878.911**	**2.395.821.204**	**16.716.699**	**2.379.104.505**

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	31/12/2021			31/12/2020		
	Gross amount	Impairment losses	Net value	Gross amount	Impairment losses	Net value
1. Performing assets	104.879.341	263.262	104.616.079	216.704.395	740.830	215.963.565
2. Impaired assets	87.557	52.729	34.828	36.257	36.257	-
2.1 Bad loans	36.257	36.257	-	36.257	36.257	-
2.2 Unlikely-to-pay exposure	51.300	16.472	34.828	-	-	-
2.3 Impaired past due exposures	-	-	-	-	-	-
Total	**104.966.898**	**315.991**	**104.650.907**	**216.740.652**	**777.087**	**215.963.565**

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	31/12/2021		31/12/2020	
	Advances	Outstanding	Advances	Outstanding
- on demand	160.637.143	293.444.717	112.057.269	257.691.743
- up to 3 months	1.260.222.276	1.557.062.852	1.182.854.011	1.472.616.658
- from 3 to 6 months	183.527.986	282.094.504	255.689.583	341.296.331
- from 6 months to 1 year	54.894.138	96.974.092	95.336.319	149.659.014
- after 1 year	13.364.337	5.822.591	17.674.724	4.248.576
- open item	-	-	-	-
Total	**1.672.645.880**	**2.235.398.756**	**1.663.611.906**	**2.225.512.322**

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 were 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 2021 amounts to Euro 108.442.275.

B.2.2 – Factoring transactions without recourse: exposures

By maturity	Exposures	
	31/12/2021	31/12/2020
- on demand	16.512.464	1.507.861
- up to 3 months	773.533.364	432.039.146
- from 3 to 6 months	87.585.495	144.411.819
- from 6 months to 1 year	64.076.089	61.626.998
- after 1 year	117.525.619	75.906.775
- open item	-	-
Total	**1.065.233.031**	**715.492.599**

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

B.3 – Other information

B.3.1 – Turnover of receivables subject to factoring operations

	31/12/2021	31/12/2020
1. Transactions without recourse	4.405.491.673	2.407.239.882
- including purchased for less than their nominal amount	-	-
2. Transactions with recourse	10.568.937.842	8.976.244.818
Total	**14.974.429.515**	**11.383.484.700**

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”.

	31/12/2021	31/12/2020
- Without recourse	198.021.808	292.983.169
- With recourse	106.513.805	223.310.563
Total	**304.535.613**	**516.293.732**

B.3.2 – Collection services

The company did not perform collection only services in 2021 and 2020.

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

	31/12/2021	31/12/2020
- Contracts to purchase future loans and receivables during the year	388.448.808	234.481.265
- Loans and receivables at the reporting date	341.005.679	285.765.758

D. – GUARANTEES GIVEN AND COMMITMENTS

D.1 – BREAKDOWN OF GUARANTEES GIVEN AND COMMITMENTS

	31/12/2021	31/12/2020
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	**347.171.874**	**317.433.854**
a) Banks	260.006	3.431
i) certain use	-	-
ii) uncertain use	260.006	3.431
b) Financial Institutions	9.205.659	182.108
i) certain use	9.059.005	-
ii) uncertain use	146.654	182.108
c) Customers	337.706.209	317.248.315
i) certain use	69.886.242	56.890.612
ii) uncertain use	267.819.967	260.357.703
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	**347.171.874**	**317.433.854**

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 268.226.627 refers to irrevocable commitments to grant funds for uncertain use as the company's commitment to grant funds is optional; in this case, it is not certain whether and to what extent the funds will actually be granted

D.2 – Financing recognized due to enforcement

None.

Section 3 *Risks and hedging policies*

3.1 – CREDIT RISKS

Qualitative disclosure

1. General information

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

2. Credit risk management policies

a) Main risk factors

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

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

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

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

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

The internal control system activated by the Company aims to mitigate the occurrence of the above risks, the appearance of ehich could result in losses on outstanding exposures.
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 as a whole.
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 has been paid over time to concentration risk both in relation to the main relationships in place and in relation to geo-sectoral assessments, which concern exposures to the main economic and/or legal groups. 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. Le singole esposizioni creditizie vengono assoggettate a un riesame periodico, o revisione, volto ad accertare la persistenza delle condizioni riscontrate in sede di istruttoria.

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 Customer Management Offices 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 Company's credit monitoring model, revised during the 2021 financial year, presents Early Warning (EW) indicators of a financial, trend and data recorded by external sources, with a high degree of predictability and partially consistent with what has been adopted at parent company level.
The positions that are characterized by a significant risk are subjected to appropriate analysis by the relevant functions (Receivables Service, Customer Management Offices 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;
- financial assets with an overdue date of more than 30 days (calculated at Group level by the "mode" engine against the introduction of the new past-two EBA);

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 potential losses. It is calculated on the basis of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) or, consequently, on the classification of counterparties in the stages as defined above.
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 above 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 Covid-19 pandemic, 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 (e.g. 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.

[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.

The accounting year just ended was characterized by a general, progressive and significant improvement in the forecasts concerning the evolution of the economic/financial context – in which the final and forecasting values of many factors recorded a "rebound" after the unprecedented decline that occurred during 2020, which has not yet allowed the economy to reach pre-pandemic levels - this was accompanied by a simultaneous significant reduction in dispersion observed in the macro-economic forecasts of the main national and international research institutes compared to the previous year. In order to ensure optimal monitoring of these aspects in the face of the particular importance acquired by them in the light of the pandemic context, the Company has maintained a specific presence in this area, also through the analysis, benchmarking and use of almost monthly updates that have been issued by the supplier with specific reference to the base scenario developed in the latest official forecast report.
In this regard, it should be noted that the Company has adopted, for the calculation of the devaluation of December 2021, 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 55% is attributed;
- 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 25% is attributed;
- a (slightly) favorable 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 20% is attributed.

Finally, as regards the weighting with which these scenarios contribute to the final calculation of the write-downs, to the baseline scenario – which, in accordance with its name, configures the evolution of the macro-economic context considered more plausible and futuristic at the time of the formulation of the forecasts – the highest probabilistic coefficient is assigned, while the so-called alternative scenarios, due to their "residual" nature, are attributed lower weighting factors and substantially equiprobable to each other.

Table 1 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 2021			Adv. scenario December 2021			Fav. scenario December 2021		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP Italy (% on an annual basis)	4.0%	2.8%	2.0%	2.4%	1.9%	1.5%	5.8%	3.5%	2.4%
Unemployment Italy	9.6%	9.5%	8.7%	10.9%	11.7%	11.7%	9.8%	8.7%	6.9%
Inflation Italy (% on an annual basis)	1.9%	1.4%	1.7%	1.6%	1.0%	1.4%	1.7%	1.6%	1.9%

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 [2], 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 detail, Table 2 indicates, divided by type of counterparty and stage, 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 probabilistic coefficients mentioned above. Dually, Table 3 shows the value of the write-downs that would be obtained in correspondence with four different choices of probabilistic coefficients[3] compared to the official one adopted.

Table 2 - Write-downs (in € / thousands) at December 31st 2021 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	20.5	20.5	20.5	20.5
	Stage 02	0.2	0.2	0.2	0.2
	Total	**20.7**	**20.7**	**20.7**	**20.7**
Not expected	Stage 01	738.7	737.8	738.7	738.2
	Stage 02	8.4	8.4	8.4	8.4
	Total	**747.1**	**746.2**	**747.1**	**746.6**
Trade	Stage 01	540.1	540.2	540.1	540.1
	Stage 02	30.8	30.8	30.8	30.8
	Total	**570.9**	**571.0**	**570.9**	**570.9**
Agriculture / Industry / Service	Stage 01	2,525.1	2,517.5	2,525.1	2,520.9
	Stage 02	168.7	167.1	168.9	167.9
	Total	**2,693.8**	**2,684.6**	**2,694.0**	**2,688.8**
Construction	Stage 01	232.7	233.9	232.7	233.4
	Stage 02	0.0	0.0	0.0	0.0
	Total	**232.7**	**233.9**	**232.7**	**233.4**
Central Administration	Stage 01	0.1	0.1	0.1	0.1
	Stage 02	0.0	0.0	0.0	0.0
	Total	**0.1**	**0.1**	**0.1**	**0.1**
Total	Stage 01	4,057.2	4,050.0	4,057.2	4,053.3
	Stage 02	208.1	206.6	208.3	207.3
	Total	**4,265.3**	**4,256.5**	**4,265.5**	**4,260.5**

[2] See for example the paper ESMA32 -63 - 791 of 22 October 2019.
[3] The weighting values for the base, adverse and favorable scenarios are respectively 75%-15%-10% (weighted alternative scenario 1), 35%-35%-30% (weighted alternative scenario 2), 55%-35%-10% (weighted alternative scenario 3) and 55%-15%-30% (weighted alternative scenario 4).

Table 3 - Write-downs (in € / thousands) at December 31st 2021 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	20.5	20.5	20.5	20.5
	Stage 02	0.2	0.2	0.2	0.2
	Total	**20.7**	**20.7**	**20.7**	**20.7**
Not expected	Stage 01	738.1	738.4	738.2	738.2
	Stage 02	8.4	8.4	8.4	8.4
	Total	**746.5**	**746.8**	**746.6**	**746.6**
Trade	Stage 01	540.2	540.1	540.1	540.1
	Stage 02	30.8	30.8	30.8	30.8
	Total	**571.0**	**570.9**	**570.9**	**570.9**
Agriculture / Industry / Service	Stage 01	2,519.4	2,522.4	2,520.9	2,520.9
	Stage 02	167.5	168.2	167.9	167.9
	Total	**2,686.9**	**2,690.6**	**2,688.8**	**2,688.8**
Construction	Stage 01	233.6	233.1	233.4	233.4
	Stage 02	0,0	0.0	0.0	0.0
	Total	**233.6**	**233.1**	**233.4**	**233.4**
Central Administration	Stage 01	0.1	0.1	0.1	0.1
	Stage 02	0.0	0.0	0.0	0.0
	Total	**0.1**	**0.1**	**0.1**	**0.1**
Total	Stage 01	4,051.8	4,054.7	4,053.3	4,053.3
	Stage 02	207.0	207.6	207.3	207.3
	Total	**4,258.8**	**4,262.3**	**4,260.6**	**4,260.6**

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 December 31st, 2021, 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.

Bank of Italy, with a communication of December 21st, 2021, supplemented the provisions governing the financial statements of financial intermediaries (Circular no. 262 of 2005) to provide the market with information on the effects that Covid-19 and the measures to support the economy have produced on the strategies, objectives and policies of risk management, as well as on the economic and financial situation of intermediaries. In detail, the Bank of Italy requested specific summary tables in order to highlight the impact on the financial statements of financial intermediaries. In particular, information was requested on credit quality in relation to loans subject to a moratorium or other concession measures in place at the balance sheet date, or which constitute new liquidity granted through public guarantee mechanisms, broken down by portfolio to which they belong.

Given the absence of counterparties covered by such support measures, the tables provided for this purpose by the legislation are not subject to compilation.

d) Credit risk mitigation techniques

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

With specific reference to contracts without appeal, there are many mitigation clauses that can be adopted, including:
- limitation of the credit risk assumed on each debtor;
- acquisition of direct or collateral guarantees;
- application of allowances;
- risk limitation in relation to the volumes of intermediated activities and the remuneration of the relationship;
- transfer obligations for the transferor;
- coverage by credit insurance.

In view of the strategic objectives and operations, the credit management strategy is therefore based on a limited risk appetite, a diversification of exposures and a conscious assumption of the same.

The Credit Monitoring Office, through its manager, reports to the top management, with objectivity and impartiality, the results of its intervention and control activities.

The high-level information functional to the representation of credit risk is structured in such a way as to allow, to the top bodies, according to the tasks and responsibilities of each one, a documented, complete and conscious assessment of the risk exposure and the related management, control and mitigation mechanisms, as well as the adequacy of the coverage.

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.

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 January 1st, 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.
The new provisions provide for automatic criteria and more restrictive methods of classification by default than those adopted so far, the main ones:

1. lowering the "relative" materiality threshold from 5% to 1%;
2. the introduction of a threshold of "absolute" relevance differentiated by type of exposure, i.e. Euro 100 for retail exposures and 500 Euro for exposures other than retail exposures;
3. the introduction of a monitoring period of at least 3 months preparatory to the reclassification in bonis for Debtors previously classified in default (NPE) who regularize their position;
4. the classification, according to uniform criteria, of a Debtor in default (NPE) at the level of the Banking Group, i.e. with reference to all credit obligations with Group companies.

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 exosures 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	101.080	1.108.761	1.472	76.001.127	2.848.527.707	2.925.740.147
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	-	-	-	-	-	-
31/12/2021	**101.080**	**1.108.761**	**1.472**	**76.001.127**	**2.848.527.707**	**2.925.740.147**
31/12/2020	**126.550**	**3.232.327**	**13.507**	**31.902.697**	**2.576.604.196**	**2.611.879.277**

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

Categories	Gross Amount	Impaired		Total partial Write-off	Not-impaired			Total (net exposure) Net exposure
		Total impairment losses	Net exposure		Gross Amount	Gross Amount	Total impairment losses	
1. Financial assets measured at amortised cost	12.702.782	11.491.469	1.211.313	32.703.642	2.928.501.015	3.972.181	2.924.528.834	2.927.740.147
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	-	-	-	-	-	-	-	-
Total 31/12/2021	**12.702.782**	**11.491.469**	**1.211.313**	**32.703.642**	**2.928.501.015**	**3.972.181**	**2.924.528.834**	**2.927.740.147**
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**

Portfolio/quality	Assets with poor credit quality	Other assets	Total
1.Financial assets held for trading	-	-	-
2.Hedging derivatives	-	-	-
31/12/2021	**-**	**-**	**-**
31/12/2020	**-**	**-**	**-**

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

Portafolio/Risk stages	First stage			Second stage			Third stage			Impaired acquired or originated		
	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	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	71.981.929	-	-	3.228.377	790.688	133	-	23.667	290.109	-	-	-
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2021	**71.981.929**	**-**	**-**	**3.228.377**	**790.688**	**133**	**-**	**23.667**	**290.109**	**-**	**-**	**-**
31/12/2020	**22.024.705**	**3.957.664**	**4.468.823**	**753.471**	**698.013**	**-**	**14.553**	**194**	**3.354.914**	**-**	**-**	**-**

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

Risk stages	Overall value adjustments																	
	First stage						Second stage						Third stage					
	Receivables from banks and central banks on demand Financial assets valued at amortised cost	Financial assets valued at amortised costo	Financial assets measured at fair value with impact on overall profitability	Financial assets in the process of being disposed of	of which: individual write-downs	Of which: collective write-downs	Receivables from banks and central banks on demand Financial assets valued at amortised cost	Financial assets valued at amortised costo	Financial assets measured at fair value with impact on overall profitability	Financial assets in the process of being disposed of	of which: individual write-downs	Of which: collective write-downs	Receivables from banks and central banks on demand Financial assets valued at amortised cost	Financial assets valued at amortised costo	Financial assets measured at fair value with impact on overall profitability	Financial assets in the process of being disposed of	of which: individual write-downs	Of which: collective write-downs
Overall initial adjustments	-	**4.669.928**	-	-	-	**4.669.928**	-	**150.257**	-	-	-	**150.257**	-	**15.726.536**	-	-	-	**15.726.536**
Changes from purchased or originated credit impaired financial assets (+)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations different from write-off	-	-4.162.015	-	-	-	-4.162.015	-	-16.987	-	-	-	-16.987	-	-3.953.123	-	-	-	-3.953.123
Net impairment losses for credit risk (+/-)	-	3.248.188	-	-	-	3.248.188	-	82.947	-	-	-	82.947	-	1.266.624	-	-	-	1.266.624
Contractual variances without cancellation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-1.548.705	-	-	-	-1.548.705
Other	-	-137	-	-	-	-137	-	-	-	-	-	-	-	137	-	-	-	137
Overall closing adjustments	-	**3.755.964**	-	-	-	**3.755.964**	-	**216.217**	-	-	-	**216.217**	-	**11.491.469**	-	-	-	**11.491.469**
Recoveries from collection of financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	**797.960**	-	-	-	**797.960**
Write-off through Profit & Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Risk stages	Overall value adjustments					Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Impaired financial assets acquired or originated									
	Financial assets valued at amortised cost	Financial assets measured at fair value with impact on overall profitability	Financial assets in the process of being disposed of	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to disburse impaired financial funds and guarantees issued acquired or originated	
Overall initial adjustments	-	-	-	-	-	**324.897**	**8.046**	**203.300**	-	**21.082.964**
Changes from purchased or originated credit impaired financial assets (+)	-	-	-	-	-	-	-	-	-	-
Cancellations different from write-off	-	-	-	-	-	-	-	-	-	**-8.132.125**
Net impairment losses for credit risk (+/-)	-	-	-	-	-	-46.908	2.107	-200.054	-	**4.352.904**
Contractual variances without cancellation	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	**-1.548.705**
Other	-	-	-	-	-	-	-	-	-	-
Overall closing adjustments	-	-	-	-	-	**277.989**	**10.153**	**3.246**	-	**15.755.038**
Recoveries from collection of financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**797.960**
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 valued at amortised cost	10.205.086	13.758.394	195.320	-	339.791	651
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-
3. Financial assets being disposed of	-	-	-	-	-	-
4. Commitments to provide funds and financial guarantees issued	4.290.128	783.964	2	-	173.353	-
Total 31/12/2021	**14.495.214**	**14.542.358**	**195.322**	**-**	**513.144**	**651**
Total 31/12/2020	**10.941.231**	**25.848.454**	**7.031**	**-**	**143.585**	**37.000**

6.Credit exposures to customers, banks and financial institutions

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

Exposure types	Gross exposure				Total value adjustments and total provisions				Net exposure	Total partial Write-off*
	First stage	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON BALANCE SHEET EXPOSURES										
A.1 ON DEMAND	**2.035.110**	-	-	-	-	-	-	-	**2.035.110**	-
a) Impaired	-	-	-	-	-	-	-	-	-	-
b) Non-impaired	**2.035.110**	-	-	-	-	-	-	-	**2.035.110**	-
A.2 OTHERS	**349.677.189**	-	-	-	**304.334**	-	-	-	**349.372.855**	-
a) Bad loans exposures	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
b) Unlikely-to-pay exposures	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
c) Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
d) Not impaired past due exposures	6.844.984	-	-	-	6.882	-	-	-	6.838.102	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
e) Other assets	342.832.205	-	-	-	297.452	-	-	-	342.534.753	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL A	**351.712.299**	-	-	-	**304.334**	-	-	-	**351.407.965**	-
B.OFF BALANCE SHEET EXPOSURES										
a) Impaired	-	-	-	-	-	-	-	-	-	-
b) Non-impaired	9.478.002	-	-	-	42.812	-	-	-	9.435.190	-
TOTAL B	**9.478.002**	-	-	-	**42.812**	-	-	-	**9.435.190**	-
TOTAL A+B	**361.190.301**	-	-	-	**347.146**	-	-	-	**360.843.155**	-

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 adjustments and total provisions				Net exposure	Total partial Write-off *
	First stage	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON BALANCE SHEET EXPOSURES										
a) Bad loans exposures	-	-	5.600.114	-	-	-	5.499.034	-	101.080	12.677.906
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
b) Unlikely-to-pay exposures	-	-	7.101.050	-	-	-	5.992.289	-	-	20.023.969
- of which: forborne exposures	-	-	20.451	-	-	-	5.437	-	15.014	-
c) Impaired past due exposures	-	-	1.618	-	-	-	146	-	1.472	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
d) Not impaired past due exposures	65.230.321	4.031.625	-	-	86.492	12.429	-	-	69.163.025	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
e) Other assets	2.440.850.506	68.711.374	-	-	3.365.138	203.788	-	-	2.505.992.954	1.767
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL A	**2.506.080.827**	**72.742.999**	**12.702.782**		**3.451.630**	**216.217**	**11.491.469**		**2.576.367.292**	**32.703.642**
B.OFF BALANCE SHEET EXPOSURES										
a) Impaired	-	-	173.357	-	-	-	3.246	-	170.111	-
b) Non-impaired	363.477.106	9.301.556	-	-	235.177	10.153	-	-	372.533.332	-
TOTAL B	**363.477.106**	**9.301.556**	**173.357**	**-**	**235.177**	**10.153**	**3.246**	**-**	**372.703.443**	**-**
TOTAL A+B	**2.869.557.933**	**82.044.555**	**12.876.139**	-	**3.686.807**	**226.370**	**11.494.715**	**-**	**2.949.070.735**	**32.703.642**

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

Categories	Bad Loans	Unlikely-to-pay exposures	Impaired past due exposures
A. Initial gross exposure	**7.320.489**	**11.757.887**	**20.544**
- *of which*: not canceled sold exposures	-	-	-
B. Increases	**1.300.127**	**8.308.582**	**25.966**
B.1 from not-impaired exposures	177.564	378.683	1.420
B.2 from impaired financial assets or impaired exposure	-	-	-
B.3 transfers to other categories of impaired exposures	284.336	9.858	-
B.4 contractual variances without cancellation	-	-	-
B.5 other	838.227	7.920.041	24.546
C. Decreases	**3.020.502**	**12.965.419**	**44.892**
C.1 to not-impaired exposures	-	-	-
C.2 write-off	1.122.846	425.859	-
C.3 receipts	1.887.798	12.224.781	44.254
C.4 profit from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of impaired exposures	9.858	284.336	-
C.7 contractual variances without cancellation	-	-	-
C.8 other	-	30.443	638
D. Final gross exposure	**5.600.114**	**7.101.050**	**1.618**
- *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	**133.857**	**4.566.617**
- of which: not canceled sold exposures	-	-
B. Increases	**750.825**	**43.649.927**
B.1 from not-impaired non-forborne exposures	20.451	43.649.927
B.2 from not-impaired forborne exposures	-	-
B.3 from impaired forborne exposures	-	-
B.4 other	730.374	-
C. Decreases	**864.231**	**48.216.544**
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	863.142	48.216.544
C.6 profit from disposals	-	-
C.7 losses from disposals	-	-
C.8 other	1.089	-
D. Final gross exposure	**20.451**	**-**
- 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	**7.193.939**	**-**	**8.525.560**	**48.421**	**7.037**	**-**
- of which: not canceled sold exposures	-	-	-	-	-	-
B. Increases	**550.143**	**-**	**1.001.755**	**5.437**	**146**	**-**
B.1 value adjustments purchased or originated credit impaired financial assets	-	-	-	-	-	-
B.2 other value adjustments	303.372	-	991.791	5.437	146	-
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers to other categories of impaired exposures	246.747	-	9.858	-	-	-
B.5 contractual variances without cancellation	-	-	-	-	-	-
B.6 other	24	-	106	-	-	-
C. Decreases	**2.245.048**	**-**	**3.535.026**	**48.421**	**7.037**	**-**
C.1 valuation value gains	8.138	-	20.176	1.089	370	-
C.2 recovery receipts	1.104.206	-	2.842.244	47.332	6.667	-
C.3 profit from disposals	-	-	-	-	-	-
C.4 write-off	1.122.846	-	425.859	-	-	-
C.5 transfers to other categories of impaired exposures	9.858	-	246.747	-	-	-
C.6 contractual variances without cancellation	-	-	-	-	-	-
C.7 other	-	-	-	-	-	-
D. Final total adjustments	**5.499.034**	**-**	**5.992.289**	**5.437**	**146**	**-**
- 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 Italy at 31/12/2021
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 S.p.A.	1	A1.1, A1.2, A1.3
Cerved Group S.p.A.	2	Da A2.1 a A3.1
Cerved Group S.p.A.	3	B1.1, B1.2
Cerved Group S.p.A.	4	B2.1, B2.2
Cerved Group S.p.A.	5	C1.1
Cerved Group S.p.A.	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	**19.425.714**	**71.194.973**	**205.158.061**	**69.024.601**	**4.191.891**	**-**	**2.572.208.557**	**2.941.203.797**
- First stage	19.425.714	71.194.973	205.158.061	43.611.587	154	-	2.516.367.535	2.855.758.024
- Second stage	-	-	-	25.413.014	4.191.737	-	43.138.248	72.742.999
- Third stage	-	-	-	-	-	-	12.702.774	12.702.774
B. Financial assets measured at fair value through OCI	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A + B)	**19.425.714**	**71.194.973**	**205.158.061**	**69.024.601**	**4.191.891**	**-**	**2.572.208.557**	**2.941.203.797**
Of which: purchased or originated credit impaired financial assets	-	-	-	-	-	-	-	-
C. Commitments to grant funds and financial guarantees given	**261.666**	**30.426.790**	**40.569.880**	**17.304.083**	**2.552.895**	**885.916**	**290.428.791**	**382.430.021**
- First stage	261.666	30.426.790	40.569.880	17.304.082	2.410.154	-	281.982.548	372.955.120
- Second stage	-	-	-	1	142.741	885.916	8.272.896	9.301.554
- Third stage	-	-	-	-	-	-	173.347	173.347
Total (C)	**261.666**	**30.426.790**	**40.569.880**	**17.304.083**	**2.552.895**	**885.916**	**290.428.791**	**382.430.021**
Total (A + B + C)	**19.687.380**	**101.621.763**	**245.727.941**	**86.328.684**	**6.744.786**	**885.916**	**2.862.637.348**	**3.323.633.818**

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	-	-	-	-	-	-	-	101.080	5.021.227	-	-	80.356	-
Of which: forborne exposures																		
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-	-	-	987.560	5.949.595	-	121.201	42.694	-
Of which: forborne exposures													15.014	5.437		-	-	
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-	1.472	146	-	-	-	-
Of which: forborne exposures													-	-				
A.4 Other exposures	-	-	-	261.801.023	-	697.178	7.209.993	-	668	344.197.972	-	303.666	2.127.180.080	-	2.939.798	186.174.876	-	30.871
Of which: forborne exposures																		-
Total A	**-**	**-**	**-**	**261.801.023**	**397.451**	**697.178**	**7.209.993**	**-**	**668**	**344.197.972**	**-**	**303.666**	**2.128.270.192**	**10.970.968**	**2.939.798**	**186.296.077**	**123.050**	**30.871**
B. Off-balance sheet exposures																		
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-	-	-	169.875	2.895	-	236	351	-
B.2 Other exposures	-	-	-	4.771.999	-	9.894	258.669	-	1.337	9.176.521	-	41.475	366.119.008	-	233.577	1.642.325	-	1.859
Total B	**-**	**-**	**-**	**4.771.999**	**-**	**9.894**	**258.669**	**-**	**1.337**	**9.176.521**	**-**	**41.475**	**366.288.883**	**2.895**	**233.577**	**1.642.561**	**351**	**1.859**
Total 31/12/2021	**-**	**-**	**-**	**266.573.022**	**397.451**	**707.072**	**7.468.662**	**-**	**2.005**	**353.374.493**	**-**	**345.141**	**2.494.559.075**	**10.973.863**	**3.173.375**	**187.938.638**	**123.401**	**32.730**
Total 31/12/2020	**-**	**-**	**-**	**347.200.353**	**529.180**	**264.709**	**68.496.946**	**-**	**316.874**	**30.294.582**	**-**	**85.004**	**3.135.694.124**	**15.249.380**	**4.365.608**	**36.254.300**	**151.277**	**120.932**

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	101.080	5.188.795	-	310.239	-	-	-	-	-	-
A.2 Unlikely-to-pay exposures	1.108.761	5.992.289	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	1.472	146	-	-	-	-	-	-	-	-
A.4 Other exposures	2.469.140.945	3.381.708	225.964.427	486.591	176.011.760	74.334	42.138.421	22.566	13.308.391	6.982
Total A	**2.470.352.258**	**14.562.938**	**225.964.427**	**796.830**	**176.011.760**	**74.334**	**42.138.421**	**22.566**	**13.308.391**	**6.982**
B. Off balance sheet exposures										
B.1 Impaired exposures	170.111	3.246	-	-	-	-	-	-	-	-
B.2 Other exposures	345.062.390	233.184	35.934.981	53.908	491.968	374	-	-	479.183	676
Total B	**345.232.501**	**236.430**	**35.934.981**	**53.908**	**491.968**	**374**	**-**	**-**	**479.183**	**676**
Total 31/12/2021	**2.815.584.759**	**14.799.368**	**261.899.408**	**850.738**	**176.503.728**	**74.708**	**42.138.421**	**22.566**	**13.787.574**	**7.658**
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**	**15.517.304**	**25.802**

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

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

31/12/2021	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	46.133	1.430.181	-	657.653	11.146	987.002	37.051	2.048.146	6.750	65.813
Unlikely-to-pay exposures	296.597	1.331.409	41.738	3.777.184	732.914	857.903	37.512	25.793	-	-
Impaired pastdue exposures	-	-	-	-	1.292	128	-	-	180	18
Other operations	1.315.358.549	1.698.250	379.709.479	494.309	608.707.023	1.073.543	102.555.126	91.468	62.810.768	24.138
TOTAL A	**1.315.701.279**	**4.459.840**	**379.751.217**	**4.929.146**	**609.452.375**	**2.918.576**	**102.629.689**	**2.165.407**	**62.817.698**	**89.969**
B. Off balance sheet exposures										
Impaired exposures	168.788	1.262	-	-	-	-	1.089	1.634	234	351
Not-impaired exposures	193.377.055	117.210	86.961.558	54.500	41.833.532	44.238	14.663.160	10.709	8.227.085	6.526
TOTAL B	**193.545.843**	**118.472**	**86.961.558**	**54.500**	**41.833.532**	**44.238**	**14.664.249**	**12.343**	**8.227.319**	**6.877**
(TOTAL A+B) 31/12/2021	**1.509.247.122**	**4.578.312**	**466.712.775**	**4.983.646**	**651.285.907**	**2.962.814**	**117.293.938**	**2.177.750**	**71.045.017**	**96.846**
(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**

9.3 Large exposures

	31/12/2021	31/12/2020
a) Carrying Amount	1.155.316.623	1.235.568.956
b) Weighted Amount	701.055.622	693.560.665
c) Number	16	17

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 December 31st, 2021, the exposures covered by this sureties referred to four primary groups whose overall exposure was equal to 60% 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 for which, as will be said later, it consists exclusively in the quarterly contribution to the capital requirement through the *Fundamental Review of the Trading Book* (FRTB).

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 €3 million in the future interest income.
The future interest income is the difference between future interest income on interest-bearing assets and the future interest expense on interest-bearing liabilities calculated solely on transactions existing at the reporting date.
The effects of a 200 bp decrease in interest rates over a twelve-month period on future interest margin would result in a loss of Euro 6 million.

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/timing phases	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	**1.006.800.917**	**1.334.084.175**	**122.725.371**	**87.233.777**	**136.864.001**	**5.720**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and receivables	1.006.800.917	1.334.084.175	122.725.371	87.233.777	136.864.001	5.720	-	-
1.3 Other Assets	-	-	-	-	-	-	-	-
2. Liabilities	**305.864.125**	**2.114.188.590**	**530.680**	**549.558**	**4.169.725**	**4.634.548**	**7.428.232**	**-**
2.1 Debts	305.864.125	2.114.188.590	530.680	549.558	4.169.725	4.634.548	7.428.232	-
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	-	-	-	-	-	-	-	-

Regarding sub-caption “Debts”, it should be noted that the amounts shown in the time bands beyond the year essentially refer to the new real estate lease (accounted for in accordance with IFRS16) signed with a Group company.

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

Captions/timing phases	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	**985.241**	**222.988.544**	**593.674**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	985.241	222.988.544	593.674	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**37.970**	**222.396.232**	**1.305.722**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	37.970	222.396.232	1.305.722	-	-	-	-	-
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

Captions/timing phases	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	**53.924**	**1.130.995**	**10.822.466**	-	-	-	-	-
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	53.924	1.130.995	10.822.466	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**428**	**1.127.732**	**10.841.559**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	428	1.127.732	10.841.559	-	-	-	-	-
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

Captions/timing phases	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets	**47.134**	**3.439.318**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	47.134	3.439.318	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**920**	**3.453.139**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	920	3.453.139	-	-	-	-	-	-
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 applies regulatory methodologies to monitor risk exposure and to detect it quarterly.
The Company does not use internal measurement models but, as mentioned above, proceeds to contribute to the consolidated reporting of the exchange rate risk requirement according to the methodology of the *Fundamental Review of the Trading Book*.

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	**224.383.103**	**11.964.139**	**-**	**2.024.694**	**-**	**1.461.389**
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Loans and Receivables	224.383.103	11.964.139	-	2.024.694	-	1.461.389
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	**184.356**	**43.246**	**-**	**369**	**-**	**-**
3. Financial liabilities	**223.739.924**	**11.969.719**	**5**	**2.016.716**	**20**	**1.437.318**
3.1 Debts	223.739.924	11.969.719	5	2.016.716	20	1.437.318
3.2 Debt instruments	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**297.117**	**13.157**	**-**	**1.903**	**-**	**5.862**
5. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**224.567.459**	**12.007.385**	**-**	**2.025.063**	**-**	**1.461.389**
Total liabilities	**224.037.041**	**11.982.876**	**5**	**2.018.619**	**20**	**1.443.180**
Difference (+/-)	**530.418**	**24.509**	**-5**	**6.444**	**-20**	**18.209**

3.3 OPERATIONAL RISKS

QUALITATIVE DISCLOUSURE

1. General aspects, management and measurement of operational risk

Operational risk means the risk of suffering losses resulting from the inadequacy or dysfunction 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.

The model adopted for the management of operational risks, calibrated according to a principle of proportionality taking into account the nature and size of the company's business, is implemented in accordance with the guidelines defined at Group level. The Risk Control Function is responsible for carrying out operational risk management processes and reporting the related results for the benefit of the competent Corporate Bodies and Functions.

Specifically, the operational risk management system adopted by the Company is divided into:

- 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;

These processes are overall functional to the monitoring of the historical and prospective exposure profile to operational risk and the relative temporal evolution, as well as to the identification, addressing and control of coherent prevention, mitigation and, possibly, risk transfer interventions (e.g. through the stipulation of insurance coverage).
As a response to the Covid-19 pandemic emergency, also in 2021 the Company ensured adequate supervision and monitoring of risky cases of an operational and IT nature resulting from the adaptation of management practices and technological infrastructures to guarantee business continuity, as well as attributable to the introduction of a strengthened legislation on health and safety in the workplace; notes in this regard the implementation of appropriate security standards and processing capacity of the IT infrastructure to meet the needs of remote reorganization of operations, through a more intensive use of agile working methods (smart working).

Legal and conduct risks

Among the phenomena falling within the scope of operational risks, particular attention is paid to the analysis of economic manifestations attributable to violations of laws and regulations and to complaints, out-of-court and controversial proceedings of a legal nature, not directly related to the field of debt collection, in which the Company has incurred in carrying out the operation or activated by the same in order to see its right recognized. Given the peculiarity of these phenomena, the process of identifying, evaluating and monitoring these risks is carried out in agreement with the company structures responsible for overseeing specific regulatory areas or responsible for the management of active / passive litigation.

The monitoring of the risks in question consists in the registration and evaluation in prospective terms of disbursements deriving from legal cases, sanctioning procedures or out-of-court proceedings, including expenses for the services of external lawyers and any accounting provisions of a prudential nature allocated to Fondo Rischi e Oneri, periodically adjusted on the basis of the progress of the procedural process and new regulatory and jurisdictional guidelines of particular importance.

Legal risks also include conduct risks, attributable to intentionally inadequate or negligent activities and / or failure to comply with professional obligations, codes and internal rules of conduct to protect customers, which are monitored with the competent company structures.

Cyber security

Dedicated examination is also aimed at managing the risks associated with the use of information and communication technologies, caused by breaches of confidentiality, lack of integrity, inadequacy or unavailability of data and systems, as well as by failure to adapt and / or update the technological components of ICT systems.
Specific safeguards are adopted for the processing and protection of personal data, in accordance with privacy legislation, as well as in the face of emergency situations and interruption of business operations, through the definition of business continuity plans and the provision of disaster recovery measures aimed at allowing, in the event of a disastrous event, the timely restoration of systems and procedures.

QUANTITATIVE DISCLOSURE

The capital requirement to cover operational risk, quantified according to the basic method (Basic Indicator Approach – BIA) as of December 31st, 2021, amounted to approximately Euro 6 million.
The operating losses recorded during the year as part of the Loss Data Collection process are mainly disbursements attributable to legal proceedings related to the non-compliance with professional commitments undertaken towards customers and / or the adoption of improper commercial and market practices (Event Type 04 – Customers, products and professional practices); the losses incurred in the face of deficiencies/ errors committed in the performance of the management operations of factoring operations (Event Type7 – Execution, delivery and management of processes) also contribute residually to the total amount.

3.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURE

1. General aspects, management and measurement of liquidity risk

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).

With reference to these types of risk, Factorit is characterized by a limited exposure, thanks among other things to the choice to favor the maintenance of an adequate level of balance of the structure for asset and passive maturities while pursuing the increade in the levels of profitability. Although the deposits are on average shorter-term maturities than loans, it is noted that the Company's funding is mainly provided by the Parent Company Banca Popolare di Sondrio S.p.A. and, secondly, by the shareholder Banco BPM S.p.A., institutions of primary standing about whose liquidity risk profile, reference is made to what is set out in the relevant Financial Statements. The availability of alternative sources of financing in the form of unused loans to other bank counterparties is also carefully monitored, highlighting through dedicated internal information the possible exceeding of predefined prudentially set minimum limits. Also subject to monitoring, specifically on a monthly basis, is the balance for collection deadlines and uses, through the production of a dedicated deadline (Structural Maturity Ladder) designed to highlight any imbalances for each time band.

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
Cash Assets	**195.655.933**	**69.934.535**	**148.174.553**	**849.919.066**	**874.487.650**	**270.696.511**	**127.554.370**	**122.814.783**	**32.368.956**	**6.000**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	195.655.933	69.934.535	148.174.553	849.919.066	874.487.650	270.696.511	127.554.370	122.814.783	32.368.956	6.000	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash Liabilities	**304.103.509**	**303.864**	**1.920.006.273**	**24.100.095**	**170.876.365**	**535.621**	**1.207.227**	**2.204.147**	**1.965.578**	**12.062.780**	**-**
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	278.963.412	51.491	1.920.000.000	23.000.000	170.007.447	56.929	114.175	461.756	219.713	127.948	-
- Financial institutions	11.216.466	-	-	-	2.071	-	-	-	-	-	-
- Customers	13.923.631	252.373	6.273	1.100.095	868.917	478.692	1.093.052	1.742.391	1.745.865	11.934.832	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**31.886.460**	**2.513.304**	**11.090.090**	**61.402.385**	**85.126.019**	**70.590.356**	**11.493.858**	**70.293.998**	**9.960**	**-**	**-**
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	31.886.460	2.513.304	11.090.090	61.402.385	85.126.019	70.590.356	11.493.858	70.293.998	9.960	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	31.886.460	2.513.304	11.090.090	61.402.385	85.126.019	70.590.356	11.493.858	70.293.998	9.960	-	
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

With regard to total cash liabilities, deposits to Banks are represented by Euro 2.025.210.102 from payables to the Parent Company, while euro 309.952.879 are due to the Banco BPM S.p.A. Group.

With regard to debts, it should be noted that the amounts shown in the time bands beyond the year essentially refer to the new real estate lease (accounted for in accordance with IFRS 16) signed with a Group Company.

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
Cash Assets	**987.954**	**12.258.691**	**2.605.035**	**135.380.803**	**72.842.226**	**594.783**		-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	987.954	12.258.691	2.605.035	135.380.803	72.842.226	594.783	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash Liabilities	**37.971**	**-**	**33.264**	**80.020.185**	**142.342.783**	**1.305.722**	**-**	-	-	-	-
B.1 Due to:							-	-	-	-	-
- Banks	37.971	-	33.264	80.020.185	142.342.783	1.305.722	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**125.856**	**4**	**42.095**	**155.224**	**1.742.832**	**39.001**	**-**	**-**	**-**	**-**	**-**
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	125.856	4	42.095	155.224	1.742.832	39.001	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	125.856	4	42.095	155.224	1.742.832	39.001	-	-	-	-	-
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
Cash Assets	**53.926**	**-**	**844**	**101.722**	**1.029.446**	**10.841.559**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	53.926	-	844	101.722	1.029.446	10.841.559	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash Liabilities	**428**	**-**		**-**	**1.127.732**	**10.841.559**	**-**	-	-	-	-
B.1 Due to:		-	-	-	-		-	-	-	-	-
- Banks	428	-		-	1.127.732	10.841.559	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**190.521**	**93.690**	**-**	**48.248**	**281.880**	**-**	**-**	**-**	**-**	**-**	**-**
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	190.521	93.690	-	48.248	281.880	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	190.521	93.690	-	48.248	281.880	-	-	-	-	-	-
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
Cash Assets	**47.168**	**15.933**	**233.665**	**1.995.346**	**1.196.278**	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	47.168	15.933	233.665	1.995.346	1.196.278	-	-	-	-	-	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
Cash Liabilities	**920**	**-**	**80.272**	**269.834**	**3.103.031**	**-**	-	-	-	-	-
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	920	-	-	249.909	3.091.716	-	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	80.272	19.925	11.315	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off balance sheet positions	**-**	**-**	**-**	**46.093**	**-**	**-**		-	-	-	-
C.1 Financial Derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.2 Financial Derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Positive differentials	-	-	-	-	-	-	-	-	-	-	-
- Negative differentials	-	-	-	-	-	-	-	-	-	-	-
C.3 Financing to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	-	-	-	46.093	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	46.093	-	-	-	-	-	-	-
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 Euro 124.8 million to the reserves in the last fiftheen years.

		(million euros)		
2006-2017	**2018**	**2019**	**2020**	**Total**
102,6	9,2	7,8	5,2	124,8

4.1.2 Quantitative disclosure

4.1.2.1 Equity: breakdown

Captions	31/12/2021	31/12/2020
1. Share Capital	**85.000.002**	**85.000.002**
2. Share premium	**11.030.364**	**11.030.364**
3. Reserves	**152.868.266**	**144.902.640**
- income related	143.699.064	135.733.438
a) legal	12.839.989	12.441.711
b) statutory	-	-
c) treasury shares	-	-
d) other	130.859.075	123.291.727
- other	9.169.202	9.169.202
4. (Treasury shares)	-	-
5. Valuation reserves	**-310.385**	**-550.766**
- Financial assets measured at fair value through OCI	73.626	-166.075
- 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	-384.011	-384.691
- Portion of revaluation reserves of equity-accounted investees	-	-
6. Equity instruments	-	-
7. Profit for the year	**16.167.141**	**7.965.626**
Total	**264.755.388**	**248.347.866**

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

Assets	31/12/2021		31/12/2020	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt instruments	-	-	-	-
2. Equity instruments	73.626	-	31.374	(197.449)
3. Financing	-	-	-	-
Total	**73.626**	**-**	**31.374**	**(197.449)**

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	**-**	**(166.075)**	**-**
2.Increases	**-**	**239.701**	**-**
2.1 Fair value increases	-	239.701	-
2.2 Impairment losses for credit risk	-	-	-
2.3 Reversal to the income statement of negative reserves	-	-	-
2.4 Transfers to other equity components (equity instruments)	-	-	-
2.5 Other	-	-	-
3. Decreases	**-**	**-**	**-**
3.1 Fair value decreases	-	-	-
3.2 Write-backs for credit risk	-	-	-
3.3 Reversal to the income statement of positive reserves	-	-	-
3.4 Transfers to other equity components (equity instruments)	-	-	-
3.5 Other	-	-	-
4. Closing balance	**-**	**73.626**	**-**

The difference is due to the adjustment, at the date of preparation of the 2021 financial statements, of the value of the Webuild S.p.A. (former 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

	31/12/2021	31/12/2020
A. Common Equity Tier 1 (CET1) before application of prudential filters	**248.588.247**	**240.382.240**
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)	**248.588.247**	**240.382.240**
D. Elements to be deducted from CET1	**411.388**	**692.696**
E. Total Common Equity Tier 1 (CET1) (C – D)	**248.176.859**	**239.689.544**
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)	**248.176.859**	**239.689.544**

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.
For the allocation of profit for the year, reference should be made to the "Directors' Management Report".

4.2.2 Capital adeguacy

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 three 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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. EXPOSURES				
A.1 Credit and counterparty risk	3.348.464.325	3.651.306.344	2.218.549.704	1.832.033.148
B. CAPITAL REQUIREMENTS	-	-	-	-
B.1 Credit and counterparty risk	-	-	133.112.982	109.921.989
B.2 Requirement for the provision of payment services	-	-	-	-
B.3 Requirement for issuing electronic money	-	-	-	-
B.4 Specific prudential requirements	-	-	5.977.142	6.291.228
B.5 Total prudential requirements	-	-	139.090.124	116.213.217
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets	-	-	2.318.168.747	1.936.886.940
C.2 CET1 / Risk weighted assets (CET 1 Capital ratio)	-	-	10.706%	12.375%
C.3 Total Own Funds/Risk weighted assets (Total capital ratio)	-	-	10,706%	12,375%

The weighted amount for credit and counterparty risk benefits, for approximately Euro 450 million, from the use of financial guarantees issued by the Parent Company with respect to four groups.

Section 5 *Statement of comprehensive income*

Captions	31/12/2021	31/12/2020
10 Profit for the year	**16.167.141**	**7.965.626**
Other comprehensive income that will not be reclassified to profit or loss		
20 Equity instruments measured at fair value through OCI:	330.622	(272.343)
a) fair value differences	330.622	(272.343)
b) trasfers to other equity components	-	-
70. Defined benefit plans	938	(22.394)
100 Income taxes related to other comprehensive income without reversal to income statement	(91.179)	81.052
190 Total other comprehensive income	**240.381**	**(213.685)**
200 Comprehensive income (Captions 10+190)	**16.407.522**	**7.751.941**

Section 6 *Related party transactions*

6.1 Information about managers with strategic responsabilities remuneration

They are not present for the 2021 financial year.

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 S.p.A.

Statement of financial position

Company	Loan assets	Financial liabilities	Other assets	Other liabilities
Banco BPM S.p.A.	4.343.368	309.485.602	324.891	467.277

Income statement

Company	Interest income	Interest expenses	Interest expense on active syndacate	Factoring commissions	Other fee and commission expense	Other expense
Banco BPM S.p.A.	268	471.386	451.066	217.944	75.987	12.800

6.3.2. Transactions with the Parent Company and associates

Loans and receivables with banks

Banca Popolare di Sondrio S.p.A.	Amount
Ordinary current accounts– Euro	529.542
Ordinary current accounts– Foreign currency	141.242
Tax consolidation receivables	-
Property and equipment – Rights of use under leasing	1.018.717
Total	**1.689.501**

Due to banks

Banca Popolare di Sondrio S.p.A.	Amount
Ordinary current accounts	130.673.021
Hot money	1.890.000.000
Hot money accruals	-
Advances – foreign currency	-
Rateo denaro caldo	-
Prepayments – foreign currency	-
Rateo denaro caldo	-
Commissions to be paid	1.142.574
Supplier invoices	8.485
Tax consolidation debts	2.346.563
Lease liabilities	1.039.459
Total	**2.025.210.102**

Loans and receivables with customers

Sinergia Seconda S.r.l.	Amount
Property and equipment – Rights of use under leasing	16.170.698
Total	**16.170.698**

Liabilities with customers

Sinergia Seconda S.r.l.	Amount
Lease liabilities	16.191.921
Total	**16.191.921**

Costs – banks

Banca Popolare di Sondrio S.p.A.	Amount
Interest expense	86.575
Interest expense lease liabilities	10.720
Depreciation rights of use under leasing	231.272
Fee and commission expense – expense	51.264
Fee and commission expense - factoring	1.142.574
Fee and commission expense – financial guarantees	736.054
Lease expense	7.000
Service contracts	50.000
Directors’ fees	35.600
Seconded personnel	-
Total	**2.351.059**

Revenue – banks

Banca Popolare di Sondrio S.p.A.	Amount
Interest income – ordinary current accounts	-13.199
Fee and commission income	-9.709
Seconded personnel	463.099
Total	**440.191**

Costs – customers

Sinergia Seconda S.r.l.	Amount
Charges for passive rents	55.000
Charges for early termination of IFRS 16 contracts	56.769
Interest expense lease liabilities	65.492
Depreciation rights of use under leasing	1.095.659
Total	**1.272.920**

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 2021, 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 17,5 million while the lease liabilities to euro 17,4 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 01/01/2021	Depreciation	Other changes	Carrying Amount at 31/12/2021
Properties	5.904.119	(1.365.972)	12.756.932	17.295.079
Cars	97.920	(48.508)	-	49.412
Other types	-	-	-	-
Total	**6.002.039**	**(1.414.480)**	**12.756.932**	**17.344.491**

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	31/12/2020	31/12/2019
10.	Cash and cash equivalents	**4.263.373.371**	**1.153.027.548**
20.	Financial assets at fair value through profit or loss	**1.239.044.920**	**945.662.146**
	a) Financial assets held for trading	169.744.106	225.786.507
	c) Other Financial assets measured at fair value	1.069.300.814	719.875.639
30.	Financial assets at fair value through OCI	**2.617.072.850**	**2.590.618.396**
40.	Financial assets at amortised cost	**35.353.029.582**	**30.415.372.211**
	a) Loans and Receivables with banks	5.107.527.392	2.365.908.344
	b) Loans and Receivables with customers	30.245.502.190	28.049.463.867
70.	Equity investments	**613.487.983**	**620.398.948**
80.	Property and equipment	**379.777.099**	**400.238.077**
90.	Intangible assets	**12.872.557**	**14.167.977**
100.	Tax assets	**378.942.324**	**369.299.404**
	a) Current	43.167.619	-
	b) Deferred	335.774.705	369.299.404
120.	Other assets	**373.759.393**	**271.318.957**
	Total assets	**45.231.360.079**	**36.780.103.664**

	Liabilities and equity	31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost	**41.392.257.233**	**33.139.673.205**
	a) Due to banks	8.858.607.901	3.456.147.384
	b) Due to customers	29.725.068.448	26.899.672.395
	c) Securities issued	2.808.580.884	2.783.853.426
20.	Financial liabilities held for trading	**31.785.558**	**33.865.539**
60.	Tax liabilities	**26.177.989**	**33.716.521**
	a) current	-	13.203.226
	b) deferred	26.177.989	20.513.295
80.	Other liabilities	**844.105.983**	**777.619.715**
90.	Post-employment benefits	**39.854.380**	**41.237.849**
100.	Provisions for risks and charges	**256.130.244**	**236.419.095**
	a) Commitments and gurantees given	58.301.001	42.790.027
	b) Pension and similar provisions	162.296.416	152.526.396
	c) Other Provisions for risks and charges	35.532.827	41.102.672
110.	Valuation reserve	**49.906.067**	**12.131.964**
140.	Reserves	**1.102.256.637**	**990.903.675**
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.	Profit for the year	**75.045.078**	**100.695.191**
	Total Liabilities and Equity	**45.231.360.079**	**36.780.103.664**

INCOME STATEMENT
(euro)

	31/12/2020	31/12/2019
10. Interests and similar income	499.257.139	480.296.574
of which: interest income calculated using the effective interest method	491.791.157	472.759.501
20. Interests and similar expense	(93.039.782)	(94.701.450)
30. Net interest income	**406.217.357**	**385.595.124**
40. Fee and commission income	289.140.354	297.277.922
50. Fee and commission expense	(12.824.563)	(15.640.757)
60. Net fee and commission income	**276.315.791**	**281.637.165**
70. Dividends and similar income	21.118.202	12.869.582
80. Net trading income	(6.519.006)	49.301.342
100. Net gain from sales or repurchases of:	(717.156)	35.756.120
a) Financial assets at amortised cost	(25.590.503)	23.055.929
b) Financial assets at fair value through OCI	24.811.767	12.286.272
c) Financial liabilities	61.580	413.919
110. Net gain on financial assets and liabilities at fair value through profit or loss	(1.799.424)	12.139.386
b) Other financial assets required to be measured at fair value	(1.799.424)	12.139.386
120. Total income	**694.615.764**	**777.298.719**
130. Net impairment losses for credit risk on:	(132.910.477)	(200.696.196)
a) Financial assets measured at amortised cost	(132.054.574)	(202.231.964)
b) Financial assets measured at fair value through OCI	(855.903)	1.535.768
140. Profit/losses from contractual changes without derecognition	(6.414.585)	(3.287.718)
150. Net result of financial management	**555.290.702**	**573.314.805**
160. Administrative expenses:	(441.887.596)	(436.636.907)
a) Personnel expenses	(190.267.407)	(194.518.109)
b) Other administrative expenses	(251.620.189)	(242.118.798)
170. Net accruals to provisions for risks and charges	(12.616.540)	(2.141.463)
a) Commitments and guarantees given	(15.510.974)	2.228.265
b) Other net accruals	2.894.434	(4.369.728)
180. Depreciation and net impairment losses on property and equipment	(32.770.630)	(36.152.651)
190. Amortisation and net impairment losses on intangible assets	(13.739.044)	(14.323.933)
200. Other operating income/expense	58.071.163	65.566.086
210. Operating costs	**(442.942.647)**	**(423.688.868)**
220. Net gains on investments	(582.334)	(284.123)
250. Net gains on sales of investments	12.007	5.363
260. Pre-tax profit from continuing operations	**111.777.728**	**149.347.177**
270. Income taxes	(36.732.650)	(48.651.986)
280. Post-tax profit from continuing operations	**75.045.078**	**100.695.191**
300. Profit (loss) for the period	**75.045.078**	**100.695.191**

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:

Type of service (euro)	Service provider	Fees
Audit	EY S.p.A.	62.000
Other services	EY ADVISORY S.p.A.	60.000

The above amounts do not include IVA tax and expenses.

Report of the Board of Statutory Auditors
to the financial statements for the year ended December 31st, 2021

Dear Shareholder,

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 2021 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 2021 financial year the Board of Statutory Auditors met 15 (fifthteen) 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. We monitored the change to the governance of the company with the appointment of the General Manager and Vice General Manager and the allocation of related powers following the resignation of the Managing Director. 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. The Board has paid particular attention to the process of outsourcing the Risk Control Function to the Parent Company effective from January 1st, 2022. We confirm that, to the best of our knowledge, we have not found the presence of any critical issues to bring to your attention.

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 December 31st, 2021 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 2021 financial statements and on the proposal formulated by the Directors regarding the allocation of the net profit achieved.

Finally, we would like to point out that, with the present Assembly, come to an end both the three-year mandate of the Board of Directors and ours as the Board of Statutory Auditors. We therefore invite you to provide for the recomposition of both Bodies and we thank you for the trust you have placed in us.

Milan, April 1st, 2022

THE BOARD OF STATUTORY AUDITORS

Dr. Luca Zoani

Dr. Daniele Morelli

Dr. Luigi Gianola

EY S.p.A.
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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 Shareholder 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, 2021 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, 2021, 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.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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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, 2021, 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, 2021 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, 2021 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, April 1, 2022

EY S.p.A.
Davide Lisi

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

TABLE OF CONTENTS