# Factorit

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

GRUPPO Banca Popolare di Sondrio

# Directors' Report and Financial Statements as at and for the year ended 31 december 2022

**Factorit S.p.A.**

Registered office, General Management and Head Office
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Web: www.factorit.it – E-mail: info@factorit.it

Member of **Banca Popolare di Sondrio Group**
Included in the Banking Group Register as no. 5696.0

Tax code/VAT no. IT04797080969
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

Member of FCI – Facilitating Open Account - Receivables Finance

# Governing and control bodies

**Board of Directors**

| | |
|---|---|
| Chairman | Roberto Ruozi |
| Vice Chairman | Mario Alberto Pedranzini |
| Directors | Antonio De Martini |
| | Lino Enrico Stoppani |
| | Rossana Zambelli |

**Board of statutory auditors**

| | |
|---|---|
| Chairman | Laura Vitali |
| Standing StatutoryAuditors | Luigi Gianola |
| | Daniele Morelli |
| Alternate Statutory Auditor | Massimo De Buglio |
| | Elena Del Marco |

**General Management**

| | |
|---|---|
| General Manager | Fabio Bollini |
| Vice General Manager | Maurizio Maria Beretta |

**Independent auditors**

EY S.p.A.

# Branches

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The figures included in the tables and graphs reported in the Director Report and Financial statement uses comma as decimal separator.

# DIRECTOR’S REPORT

Dear Shareholder, the 2022 financial statements, the forty-fourth of the Company, recorded a profit of 23.903.433 Euro.

Over the past year, in a macro-economic context characterized by numerous uncertainties, by increased geopolitical instability resulting from the Russian-Ukrainian conflict and by inflation driven by exceptional increases in the prices of energy raw materials, in line with the objectives set and with the approved development plan, the Company’s activities have been focused, first of all, on increasing its turnover and investments, without neglecting the quality of its loans and profitability. From a commercial point of view, the strategy was implemented by focusing on activities towards corporate customers; expanding into the area of commercial credits owed to the Public Administration; activating effective development actions in the field of supply chain credit, especially with regard to the agri-food sector; taking into account the territorial presence of the banking network of the Parent Company and the Affiliated Banks and concentrating commercial action in the most economically relevant areas (Lombardy and Northern Italy; Lazio).

The commercial activity continues to benefit from investments made in distribution capability, specialization of the offer, technology, with particular regard to the "Reverse Factoring" platform for corporate customers to guarantee their suppliers, delaying and postponing payment times.

Before illustrating the activities carried out during the year and the financial and economic performance report of the Company as of December 31st, 2022, 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, the Financial Statements as at December 31st, 2022 has been audited by the Company EY S.p.A.

## THE INTERNATIONAL SCENARIO

Year 2022 will be inevitably remembered in history for the comeback of war within the heart of Europe. After Covid-19 have had an impact on previous accounting periods, the Russian invasion of Ukraine was the event that conditioned the geopolitical dynamics of the current exercise. This has led to consequences which have had worldwide repercussions, with effects differentiated between the various countries, depending on the degree of dependence of their economies on those of the belligerents.

The conflict has brought to the surface phenomena that had been undetected, triggering an increase in energy costs - in particular of natural gas -, which then involved numerous other raw materials. Inflation has reached levels that have not been reached in decades, forcing major central banks to tighten monetary policies, while the risks of an economic slowdown or even recession increased.

In 2022, the world economy recorded a sharp decrease compared to the previous year: from a growth of 5,9% it has in fact increased to around 3%. It should be noted that in the last quarter of the year the signs of worsening of the economic situation seem to have increased, especially in the most advanced countries and in China.

The Chinese economic situation has been penalized by the exacerbation of the pandemic. The sudden abandonment of the extremely restrictive measures adopted for a long time seems to have created new problems, also in relation to the low level of immunization of the population. The difficulties of the Asian giant are moreover attested by the data of the GDP, grown in the twelve months of 3%, below the governmental expectations and very far from the 8% of the previous year. Moreover, also the other great world-wide economy, the United States, has evidenced a decided decrease regarding +5,9% of 2021. GDP in fact stopped at +2,1%.

World trade, after the good results of the summer period, also slowed down, with an annual growth of around 5,5%.

Finally, the slowdown in the economic cycle has had some effect on oil and natural gas prices. This last energy source, particularly important for Europe, which has found itself seriously dependent on Russia for its supplies, began to show a sharp decline in the autumn, favored by the presence of substantially stable inflows, the decline in industrial demand and the very mild climate.

An extremely complex geopolitical and macroeconomic panorama, in which the international stock markets have gradually seen the specter of stagflation take shape - in a spiral fueled by inflation, restrictive monetary policies and economic slowdown. This has led to a surge in volatility and risk aversion on the markets, which has severely affected performance.

In the United States, the S&P 500 index was down 19,44%, while in Europe the Euro Stoxx 50 closed the year with a decrease of -11,74%. Emerging markets have also suffered heavy losses. In addition to the collapse of the Russian market of more than 50%, the Chinese market declined by 22%.

The euro area has become the international player most directly exposed to the consequences of the conflict in Ukraine. The already mentioned strong dependence on Russia for energy supplies has in fact exposed its economic system to a massive increasing of natural gas costs and to serious risks about supply stability. If the latter have at least partially eased, the increase in prices has contributed significantly to the inflation rate, which at the end of the year has reached 9,2%. The REPowerUE program is the new initiative implemented by the European Union to diversify energy supply and accelerate the use of renewable sources.

The influence of inflation on wages is still limited and it is hoped that it will remain under control, in order to avoid the occurring of a self-sustaining cycle.  The difficulties for households are evident, as they see their real spending capacity progressively eroded. Many analysts have also pointed out that the most affected are the economically weaker subjects, on which the increases in commodities is burdening the most.

The European Central Bank has progressively raised official rates and has also adopted measures for a gradual reduction in the size of the Eurosystem's balance sheet.

Given the difficulties mentioned above, the GDP of the Euro area recorded a 3,5% increase at the end of the year, above China and the United States. This, despite the fact that the last few months of 2022 were characterized by substantial stagnation.

The Swiss Confederation closed 2022 with GDP growth of around 2%, a result which the sustained dynamics of private consumption contributed. The results of foreign trade were also positive, with a trend that however decreased towards the end of the year.

The increase in prices was very limited, around 2,8% in December, thanks also to the appreciation of the Swiss franc, whose strength constituted a barrier against imported inflation.

The Swiss National Bank, in line with the other Monetary Authorities, proceeded to progressively raise rates, with three actions in the second half of the year aimed at countering inflationary pressure.

## THE ITALIAN SCENARIO

The combination of economic conditions that occurred in 2022 - war, inflation, interest rates rising - has particularly affected, given its economic morphology, our Country, which, while benefiting from a lowering of gas price, mainly due to a very mild autumn/winter, it is affected by an onerous debt.

Speaking of growth, where the Italian historical trend is unfavorable, an unexpected resilience was however reflected in the GDP, which, although it slowing down, has centered an annual balance of +3,7%, unexpected given the previous forecasts. Adding to the +6,7% that in 2021 led to a rebound after the -9,1% reached in 2020 due to the coronavirus, this has allowed to recover and to exceed by 0,8%, the 2019 GDP.

Concerning data on the third quarter – the results are even better, +4,7% - the details of the components are available, which highlights the exclusive role of domestic demand: private consumption, which rose by 5,2%, have not, however, regained the pre-pandemic level; on the contrary, the investments, increased of 10,9%, have exceeded almost of 17%. The negative contribution of the foreign channel was determined by a growth in imports (+15%) more robust than the exports' one (+10,8%), which, together with the fact that the former were further inflated, in value, by increases in energy products, contributes to explaining the first negative trade balance for many years: 31 billion deficit against the surplus of 37 of the first nine months of 2021.

Unemployment rate also improved compared to the pandemic years: the general index decreased again, from 9.1% in the last quarter of 2021 to 7,7% in the third quarter of 2022, the young people index (between 15 and 24 years old) from 28 to 22,5%, over 15 percentage points below the January 2021 peak. In the fourth quarter there would have been only slight increases, respectively at 8% and 23,6%.

The worsening in the Italian price dynamics, given that at the end of 2020 there was still deflation (-0,3%) and that, twelve months later, we were alarmed by a local maximum of +4,2%, even if lower than the euro area average, is even more evident considering the reaching in August, of a 9,1%, perfectly in line with the rest of Europe and then, the fact that the latter, in October, was 10,6%, in the leap to 12,6%, which would have been confirmed in November. The final recording, which came in by only 3 tenths, revealed a widening gap with EU figures, which has fallen back to 9,2%.

The main public finance parameters had instead achieved renewed progress: in relation to GDP, net debt would have fallen from 7,2 to 5,6%, debt from 150,3 to 145,7%. A further reduction to 144,6% (with a target of 141,2% for 2025) allowed the 2023 Italian budget law to adopt expansionary measures for about Euro forty billion.

The prudent orientation in managing public accounts seems to have gained credibility on the markets: the spread, starting around 140 basis points, had risen in the 250 area following the resignation of the Draghi's Government (in July, also triggering the revision of the outlook, from stable to negative, by the rating agency Moody's) and, again, the subsequent results of the September election, but ended the year not much above 200, starting to go down, at the beginning of this year, well below that threshold.

## FACTORING, THE DOMESTIC MARKET

During 2022 the factoring market recorded a turnover of 287 billion euros, an increase of about 14,6% compared to 2021.

As a result, the loans as at 31 December 2022 (outstanding) also increased by 5,9% on the same figure as at 31 December 2021.

The part advances and fees increases by 10,1% against the previous year.

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

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Turnover | 255.506.338 | 227.829.051 | 250.629.550 | 287.258.017 |
| Outstanding | 66.261.108 | 62.233.640 | 65.599.552 | 69.468.897 |
| Advances | 54.534.058 | 50.340.478 | 51.440.505 | 56.630.010 |
| *Advances/Outstanding* | *82,3%* | *80,9%* | *78,4%* | *81,5%* |

*(amounts in thousands euros)*

Based on the information provided by Assifact at 31 December 2022, 58,2% of factoring companies in Italy are financial intermediaries pursuant to art. 106 "Registro Unico" (which generate the 48,3% of turnover), banks make up 37,9% of operators (41,4% of turnover) and other intermediaries 3,9% (10,3% of turnover).

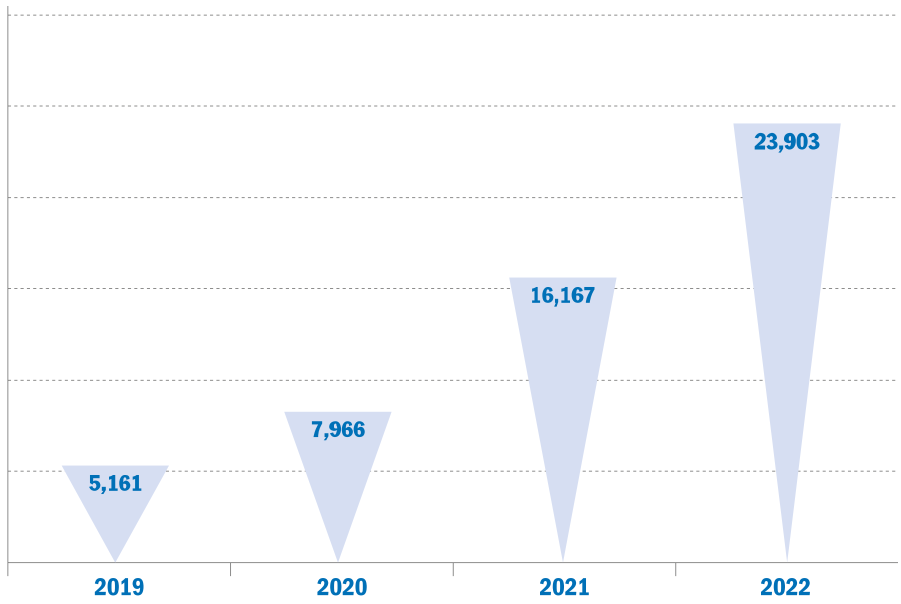
The volume of the credits factored to the first 5 operators of the system (all belonging to Banking Groups), among which there is also Factorit (at 4 place with a share of 6,5%), is equivalent to 70,4% of total market turnover.

## COMPANY PERFORMANCE

### Economic and income results

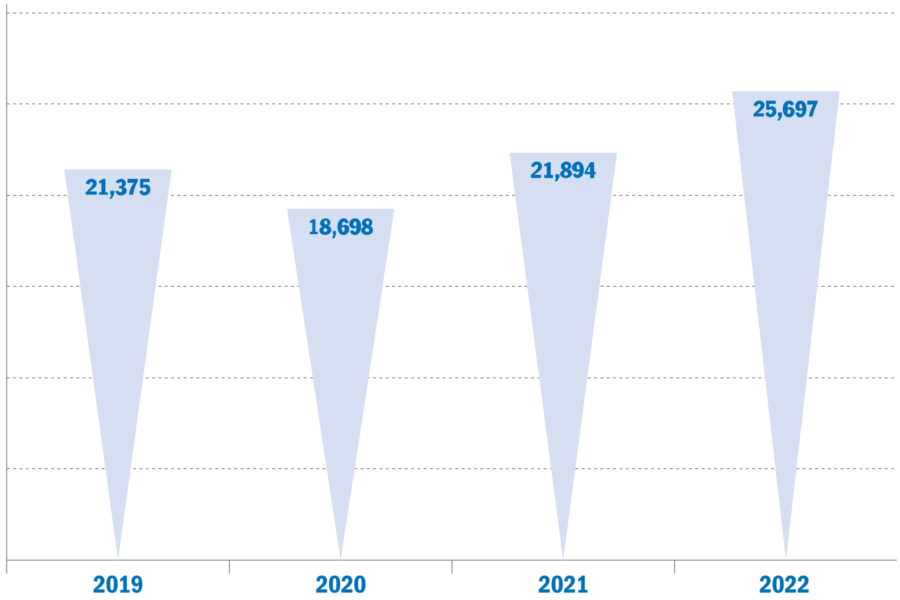
The Company closed the year with a net profit of Euro 23,9 million; below some indicators are disclosed.

**Graph 1. Net profit trend** *(thousands of Euro)*



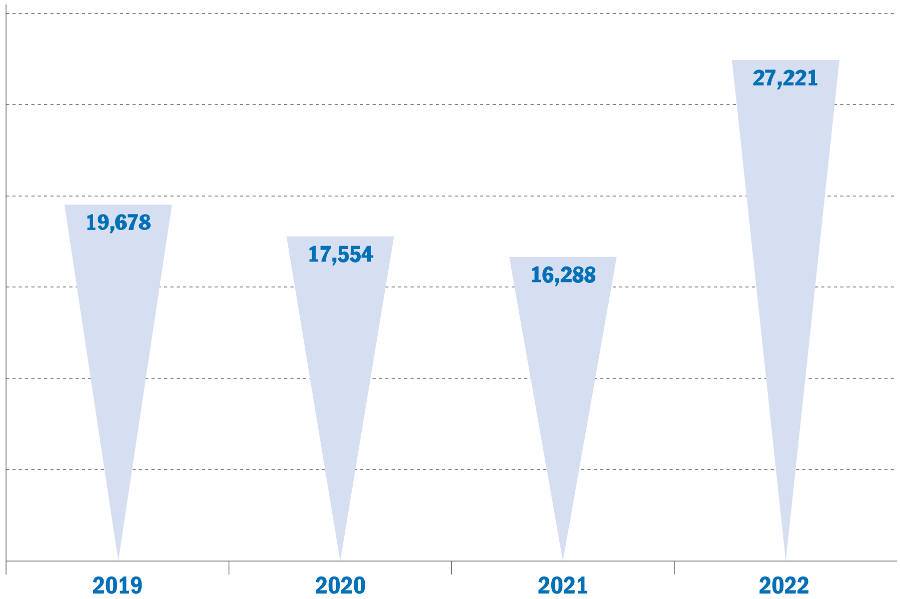

The activities contributed to an intermediation margin of Euro 52,9 million, of which Euro 27,2 million in financial income and Euro 25,7 million in commissions, increasing by 38,7% compared to 31 December 2021.

**Graph 2. Net fee performance** *(thousands of Euro)*




The trend of the commissions, linked to the turnover, shown a strong increase (17,4%) as a consequence of the increase of the stock under management despite a slight decrease of the average commission rate.

**Graph 3. Interest margin trend** (*thousands of Euro*)




The interest margin increasing, by 67,1% compared to the previous year, is substantially due to the combined effect of the higher average volume of loans to customers, from 2,1 billion Euros in 2021 to 2,6 billion Euros in 2022, on the other hand, of the growth of interest rates applied in line with market trends.

The item "Net value adjustments for credit risk" on financial assets measured at amortised cost shows a positive balance of Euro 0,8 million as the difference between impairment provisioning of Euro 4,8 million and reversal of Euro 5,6 million.

It should be noted that for the estimation of the related collective provisions a specific adjustment has been made to the models (cd. Managerial Overlays) in order to align provisions to levels deemed fully representative of the counterparties' actual - current and prospective - risk profile given the particular macroeconomic environment, geopolitics and current business in which the Company is operating.

In order to allow a clearer and immediate view of the Company's economic performance, the following table shows the main economic figures and some indicators of the year, compared with the data for the previous year.

**Table 2. Key income statement figures reclassified**

| | 2021 | 2022 |
|---|---|---|
| Net fee and commission income | 21.894 | 25.697 |
| Net interest income | 16.288 | 27.221 |
| Dividends and capital gains | - | 29 |
| Net Trading income | 24 | 28 |
| **Total Income** | **38.206** | **52.975** |
| **Total net costs of risk** | **4.390** | **749** |
| **Total net Operating expenses** | **-19.125** | **-18.450** |
| **Net operating result** | **23.471** | **35.274** |

*(thousands of Euro)*

| | 2021 | 2022 |
|---|---|---|
| Cost/Income | 50,1% | 34,8% |
| Roe | 6,5% | 9,4% |
| Net interest income | 42,6% | 51,4% |
| Revenue from services/Total income | 57,3% | 48,5% |

The total net cost of risk are composed of item 130 "Net adjustments/recoveries for credit risk" for 798 thousand Euro and item 170 "Net provisions for risks and charges" for -49 thousand Euro.

The total net operating costs are made up of items 160 "Administrative expenses" for -17.731 thousand Euro, items 180 and 190 "Net value adjustments/recoveries on tangible and intangible assets" for -1.583 thousand Euro and item 200 "Other operating income and expenses" positive for 864 thousand Euro, details are set out in the notes.

## Main events of the year

The Board of Directors, during the meetings occurred 2022, analyzed and evaluated the reports provided by the top management, concerning the Company's commercial performance, the exposure to large Sellers and large Debtors, risk exposures (classified as Non-performance, Probable default and/or

Past Due) and the amount of provisions, as well as loans write-off The Board of Directors also examined the documentation relating to the composition of the portfolio, the resolutions adopted on exposures and litigation, own funds and liquidity risk.

During the year, the Board of Directors approved, also by transposing the regulations issued by the Parent Company, the internal regulations for the correct and efficient management of the company. In addition, in compliance with the provisions of Circular No. 288 of 3 April 2015 and subsequent updates "Supervisory provisions for financial intermediaries", the reports prepared by the Governance Functions (Compliance, Risk control, Anti-money laundering and Internal Audit) have been brought to the attention of the Council.

It is worth specifying that, among the various provisions, the following ones have been resolved:

- The Board of Directors of **31th January 2022** identified the most relevant staff and resolved on the establishment of a motivational system in favor of staff, in compliance with the "Remuneration policies of the Banca Popolare di Sondrio Banking Group", in compliance with the provisions of the Supervisory Board on remuneration and incentive policies and practices and with the regulatory forecasts indicated in paragraph 2-quarter of the "Provisions on transparency of banking and financial services and transactions. Correctness of the relations between intermediaries and customers" issued by the Bank of Italy.
- The Board of Directors of **11th March 2022** approved the draft financial statements for the year as at 31 December 2021, convened the Ordinary Shareholders' Meeting and approved the 2022 Budget.
- The Board of Directors of **3rd May 2022** determined the remuneration of the President and appointed the Vice President, determining the remuneration. It also approved the financial position at 31st March 2022.
- The Board of Directors of **17th May 2022**, in charge of the Board of Directors, carried out the verification of the requirements (DM n. 169 of 23 November 2020), the verification of the "prohibition of interlocking" (Art. 36 Law 214/2011) and the establishment of an address for service. It proceeded to the verification of the Auditors' requirements carried out by the Board of Statutory Auditors. It also determined the amount of the variable part of the most relevant staff's remuneration.
- The Board of Directors of **20th June 2022** took note, for the purposes of business management, of the evidence contained in the Group's ICAAP and ILAAP reporting at 31 December 2021 issued by the Holding Company Banca Popolare di Sondrio with reference to the Banking Group and related mainly to internal capital adequacy determination processes (ICAAP) and assessment of the adequacy of the governance and liquidity risk management system (ILAAP).

- The Board of Directors of **29th July 2022** has verified the requirements of some members of the company following the request of the Bank of Italy of 11 July 2022. It also approved the financial position as at 30 June 2022.
- The Board of Directors of **28th October 2022** approved the financial position at 30th September 2022, approved the outsourcing of the Facility Management Service in the IT sector and its assignment to the Parent Company, approved the proposal "Remuneration policies: determination of criteria and parameters for the allocation of variable remuneration to the most relevant staff and managers".

On 15th March 2022, the binding agreement signed on 1st March 2022 was executed with the completion of the sale to the Parent Company Banca Popolare di Sondrio of the entire 39,5% stake of Factorit held by Banco BPM. The parent company thus obtained fully control of Factorit S.p.A.

During the year, the ordinary exchange of correspondence with the Supervision Division of Financial Intermediaries of the Bank of Italy, Milan, continued.

**Organisational structures and the system of internal controls**

The Company's regulatory body has been affected by updates, partly due to the enactment of new specific regulations (on this point please refer to the dedicated section "Regulatory adjustments") and partly to further strengthen the internal organisational structure.

Factorit adopts a traditional management and control model. Its corporate governance consists of the set of methodologies, models and planning systems, management and control necessary for the functioning of the Company's Bodies and is articulated with the aim of ensuring effective and transparent allocation of roles and responsibilities between the Corporate Bodies, as well as a proper balance between Strategic, Management and Control Supervision Functions, and a careful analysis and evaluation of the risks to which the Company is exposed.

The Company Organisation Chart is structured in Control Functions (all of which are 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 efficiency and risk mitigation benefits. The use of outsourcing of business functions, including essential or important functions and control, is a structural element of the organizational model adopted by the Company, taking into account, as required by the principle of proportionality, the size of the company and its limited operational complexity.

During 2022, some changes were introduced to the organisational structure of the internal control system, with outsourcing to the Parent Company of the Risk control Function.

In this regard, the Parent Company has established the office "Coordination of Group Risk Control", directly attached to the head of the Bank's Government Area Chief Risk Officer, whose mission is to ensure effective and homogeneous risk management at Group level, through the performance of project management functions and support to the activities of subsidiaries: In particular, the new unit will support each Group company in coordinating and overseeing the overall risk control framework, as well as in the implementation and supervision of risk mitigation actions.

The system of the Company's internal controls and its governance model is periodically reviewed and updated, if necessary, also depending on the elements of possible misalignment with the new supervisory provisions.

## Business trend

The amount of the assigned receivables in the period amounted to 18.635 million Euro, an increase of 22% compared to the year 2021 (15.279 million).

The assigned receivables without recourse, that is with guarantee on the good end of the payments, have been pairs to 68,5% of the turnover total, while those with recourse have been 31,5%.

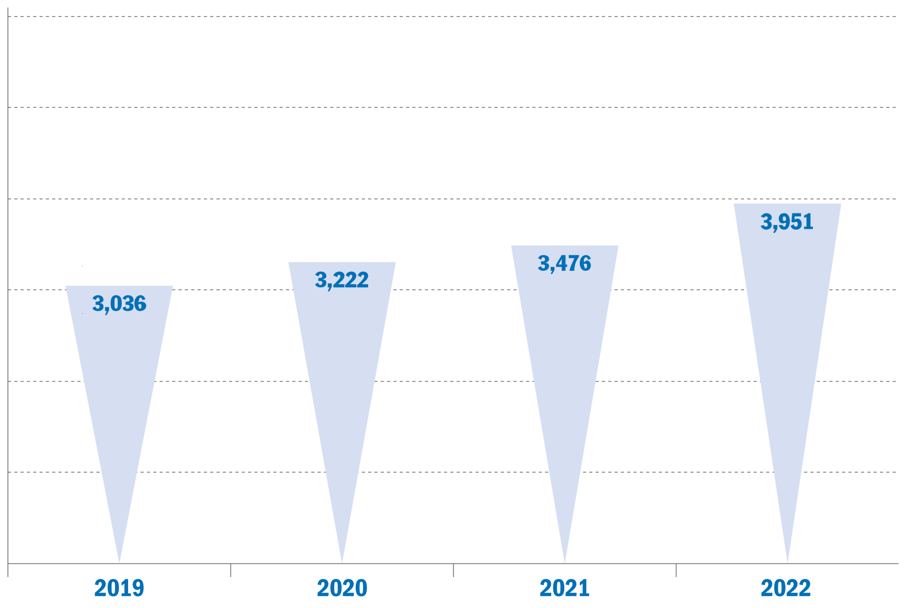
There were 1.430 customers active at 31$^{th}$ December 2022, substantially in line with the figure at 31$^{th}$ December 2021 (1.410).

**Table 3. Operating data**

| | 2021 | 2022 | Variation |
|---|---|---|---|
| **Turnover** | **15.278.965** | **18.635.151** | **22,0%** |
| of which without recourse | 10.256.532 | 12.760.696 | **24,4%** |
| of which with recourse | 5.022.433 | 5.874.455 | **17,0%** |
| **Net fee and commission income (%)** | **0,14** | **0,14** | |
| **Advances (stock) at 31/12** | **2.936.999** | **3.540.472** | **20,5%** |
| **Outstanding** | **3.476.019** | **3.951.127** | **13,7%** |
| of which without recourse | 2.425.356 | 2.695.846 | **11,2%** |
| of which with recourse | 1.050.663 | 1.255.281 | **19,5%** |
| **No. of dossiers processed** | **1.070.374** | **1.097.309** | **2,5%** |

*(thousand euros)*

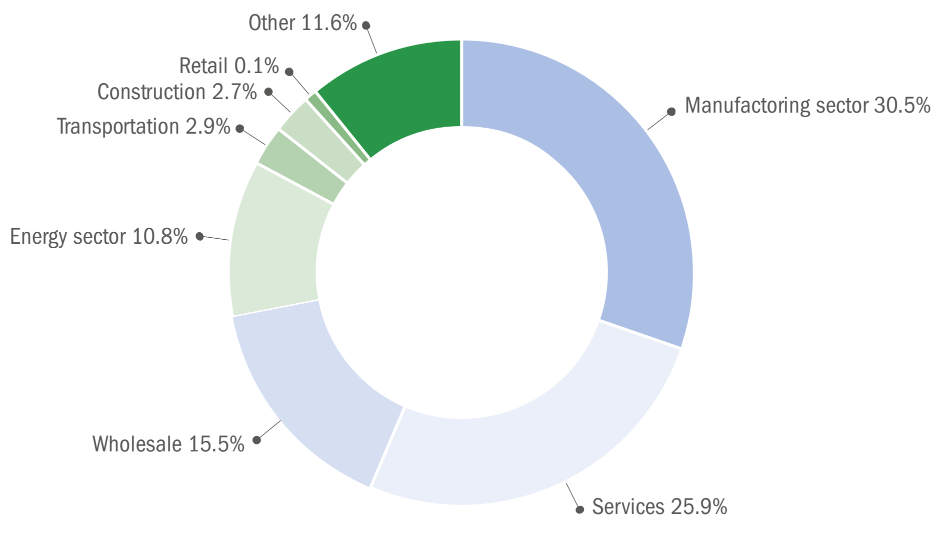
**Graph 4. Trend of outstanding loans and receivables balance** *(thousand euros)*




A decrease in average credit rotation days (77 days versus 83 in 2021) is observed.

The turnover distribution, on the base of the of the Transferor's industry highlights that the large part of the volumes are generated by the customers operating in the Manufacturing sector (30,5%) followed by Services (25,9%), Wholesale trade (15,5%), Energetic industry (10,8%), Transport sector (2,9%), Construction (2,7%) and Retail (0,1%). "Other" covers the remaining 11,6%.

**Graph 5. Breakdown of turnover by industry of originator**




The distribution of turnover by product consists mainly of the Traditional factoring (31,6%) and the Factoring with financing without notification (54,7%)

with high standing counterparties. Maturity factoring follows with 13,3% of the total, while the residual component relating to products of Guarantee only without notice with 0,4%.

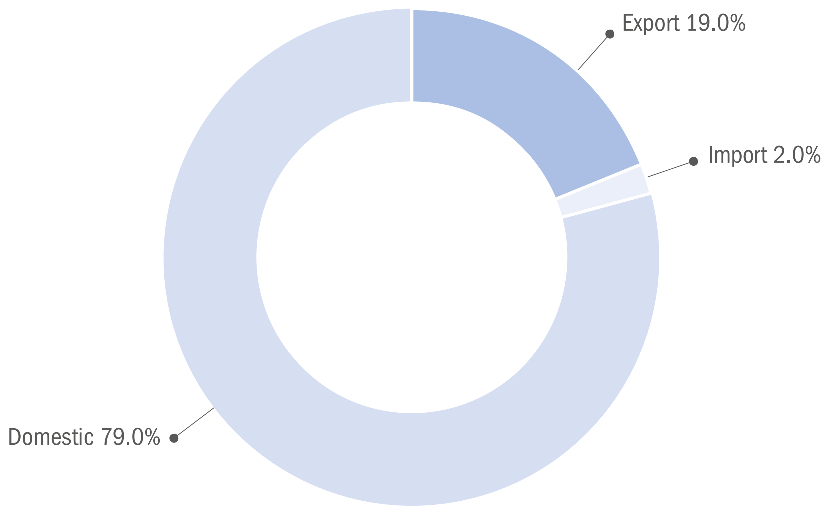
**Table 4. Breakdown by geographical segment**

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Traditional factoring | 34,1% | 28,6% | 31,6% |
| Financing products without notice | 46,8% | 53,8% | 54,7% |
| Maturity factoring | 17,7% | 17,1% | 13,3% |
| Guarantee only without notice | 1,4% | 0,5% | 0,4% |
| Total | **100,0%** | **100,0%** | **100,00%** |

*(percentage)*

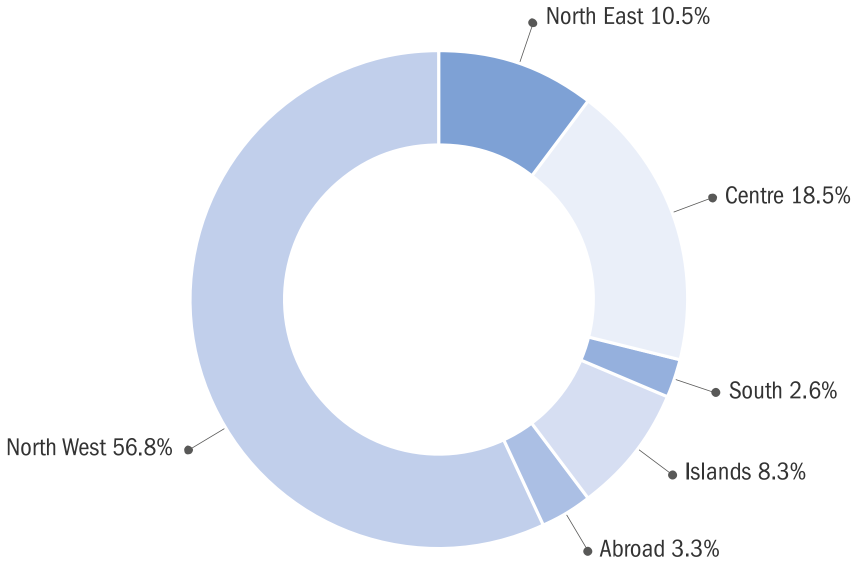
Domestic transactions accounted for 79% (75% in 2021) of the total assigned receivables for 14,688 million Euro turnover. *Export factoring* accounted for 19% (22% in 2021), for 3,495 million Euro and *import factoring* for 2% (3% in 2021), for 452 million Euro.

**Graph 6. Breakdown of turnover by geographical segment**




The commercial activity of the Company has been focused in the areas where the presence of the Parent Company's branches is most intense, as well as where direct commercial activity is most effective. The amount of assigned receivables by customers based in Lombardy (first region in terms of turnover) represents 31,2% of the total. The most significant regions in terms of volume are Piemonte (21,1%) and Lazio (14,6%). The contribution to turnover of customers based abroad was 3,3%.

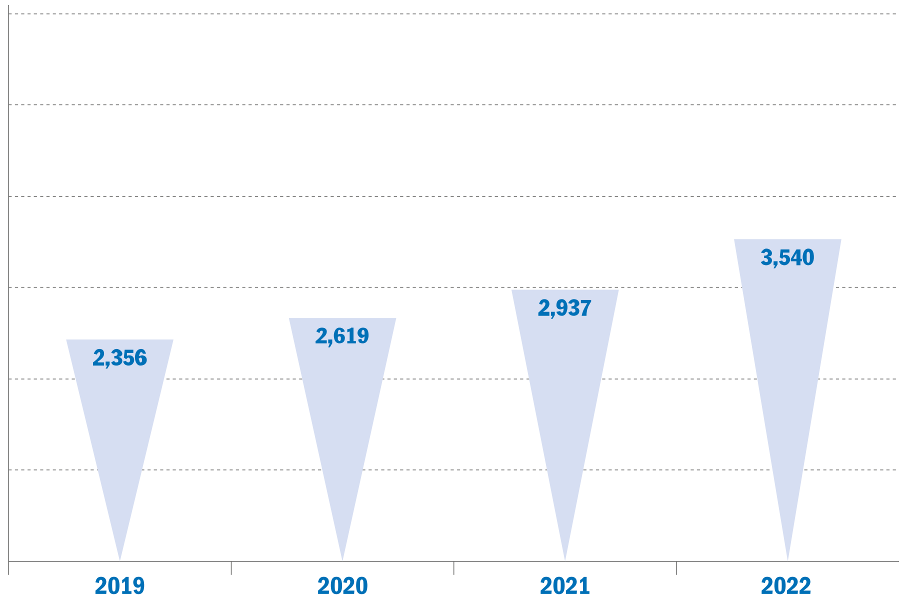
**Graph 7. Breakdown of customers by macro-geographical areas**




*(percentages calculated considering the customers' registered office)*

The amount of advances at 31 December 2022 is Euro 3,540 million, or 89,6% of outstanding loans.

**Graph 8. Advances** *(million euros)*



## Distribution channels

The amount of advances to the Clients reported by the Parent Company is equal to 4.352,9 million Euro, with an incidence of 23.4% on the total of receivables factored (which reaches 6.675,6 million Euro including the banks with which special agreements are enforced for the distribution of products of the Company and an incidence of 35,9%, an increase of 13,6% compared to the previous year), an increase of 11,1% compared to the previous year volumes.

The customers generated by the direct channel have made disposals for 11.506,9 million Euros, with an incidence of 61,7% on the total that, recording a significant increase of 28,8% compared to the previous year, confirms the main distribution channel of the Company, while the credits' volume for import factoring operations, which also derive from the reports of the corresponding FCI (Factors Chain International), amounted to 452,5 million Euros, with an incidence of about 2,4% on the total number of receivables factored.

**Tabella 5. Turnover breakdown by distribution channels**

| | 2021 | % of Total | 2022 | % of Total | Variation |
|---|---|---|---|---|---|
| *Banca Popolare di Sondrio* | *3.916.463* | *25,7%* | *4.352.906* | *23,4%* | *11,1%* |
| **Total BANKS** | **5.877.839** | **38,5%** | **6.675.637** | ***35,9%*** | ***13,6%*** |
| **Total IMPORT** | **464.446** | **3,0%** | **452.530** | ***2,4%*** | ***-2,6%*** |
| **Total DIRECT** | **8.936.680** | **58,5%** | **11.506.984** | ***61,7%*** | ***28,8%*** |
| **Total** | **15.278.965** | **100,0%** | **18.635.151** | ***100,0%*** | ***22,0%*** |

*(amounts in thousand euros)*

## Regulatory updates

The Company uses of the contribution of the Compliance Function which, as part of the controlling and monitoring activities of risks of non-compliance with existing rules, has the task of continuously identifying the applicable legislation, and to assess its impact on business processes and procedures.

The Company during the year, in addition to reviewing the internal regulatory arrangements impacted by organisational changes or the evolution of regulatory provisions, (laws and regulations) approved new documents in order to ensure the adequacy of Factorit regulatory body aimed to prevent the violation of mandatory and self-regulatory rules and ensuring an effective system of internal controls.

During the year, the implementation of the regulations issued by Banca Popolare di Sondrio, applicable to the Banking Group and to the Company, also continued.

Operating in such context, the Compliance Function has disclosed its assessments, contributing to the internal process of issuing and updating the Factorit regulatory body.

During the year, some new laws and regulations directly or indirectly affected the banking and financial system and, specifically, the Company. In the following the main ones will be illustrated.

Bank of Italy has followed the previous communications of the first months of 2020, according to which it was requested from financial intermediaries registered in the Register pursuant to art. 106 TUB to complete a special questionnaire on a monthly basis via the channel INFOSTAT (SURVEY VIG21). The survey aimed to investigate how to manage the health emergency and the adoption of government measures to support the economy. On 15/02/2022 the survey "Covid-19 Financial Intermediaries" was temporarily suspended starting from the survey at 31/01/2022, which should have been submitted by 15/02/2022.

On 24/02/2022 began the Russian invasion of Ukraine. With regard to the areas of direct control, the Compliance Function has focused its attention on the risk of cyber threats occurring outside the specific geopolitical context, through real spillover phenomena: (i) strengthening the ex ante/continuous activity (see, in particular, Alert Informative of 08/03/2022 and 10/03/2022); (ii) redefining, in the work in progress phase, the perimeter of the ex post verification n. 1/2022 dedicated to the fundamental IT principals - carried out in agreement with the specialized office "Business Continuity" also taking into account the warnings of the Supervision Department, of Copasir and the Computer Security Incident Response Team - Italy .

Within the framework of the Common Foreign and Security Policy (CFSP), the EU applies restrictive measures in order to pursue the specific objectives of the CFSP set out in the Treaty on European Union. Sanctions are a diplomatic or economic instrument intended to bring about change in activities or policies, such as violations of international law and security, human rights, the rule of law or democratic principles. In 2022, the EU significantly expanded sanctions against Russia through a series of sanctions packages.

On 14/06/2022 EBA published a document called "EBA publishes Guidelines on role and responsibilities of the AML/CFT compliance officer", defining the Guidelines that set out the expectations on the role, tasks and responsibilities of the AML/CFT compliance officer and the management body with the aim of standardising the interpretation of these governance arrangements. Bank of Italy with the document named "Implementation of the EBA Guidelines on policies and procedures relating to compliance management and the role of the anti-money laundering manager" published on 25th November 2022 has informed the European Banking Authority that it will amend the Organisational Provisions, procedures and internal anti-money laundering controls ensuring the necessary coordination with the Provision of Bank of Italy of 26 March 2019.

With Statement Prot. 0582630/22 of 07/04/2022, "Expectation of supervision on climate and environmental risks", Bank of Italy has requested financial intermediaries to integrate climate and environmental risks in business strategies, in governance and control systems and risk management framework. With subsequent Statement Prot. 1940148/22 of 28/12/2022, Bank of Italy took into account the critical issues that emerged during investigation aimed at assessing the level of integration of climate and environmental risks in management paradigms, urging non-bank intermediaries to prepare a "Action Plan" by 31/03/2023.

On 11/04/2022, the Supervisory Board provided functional indications to enhance the anti-money laundering system, especially in the public sector, due to its leading role in the delicate implementation phase of the PNRR.

In order to implement the Directive (EU) 2019/1152 of the European Parliament and of the Council of 20 June 2019, on transparent and foreseeable working conditions, the Legislator has issued Legislative Decree No. 104 of 27th June 2022, containing "Implementation of Directive (EU) 2019/1152 of the European Parliament and of the Council of 20th June 2019 on transparent and foreseeable working conditions in the European Union", which introduced provisions governing information on employment, the minimum requirements relating to working conditions, as well as a series of additional measures to protect workers, by recasting the requirements laid down in Legislative Decree no. 152 of 26 May 1997 "Implementation of Directive 91/533/EEC concerning the obligation of the employer to inform the worker of the conditions applicable to the contract or employment relationship".

On 20/05/2020, the Supervisory Board had submitted to public consultation, for a period of 60 days, the new "Instructions for the recording of the average overall effective rates pursuant to the law on usury". On 08/09/2022, Bank of Italy announced the resolution of the consultation without amending the regulations.

From 1/10/2022, no disputes related to transactions or actions prior to the sixth year before the date of filing the appeal may be submitted to the Financial Banking Arbitrator (ABF), based on the rules of "Provisions on out-of-court dispute resolution systems for banking and financial services and transactions".

As of 1/01/2023, Bank of Italy will no longer send to supervised entities notifications of the publication on the website of documents with regulatory or general content (e.g. supervisory provisions, interpretative clarifications, supervisory guidelines), since the legally prescribed forms of advertising ensure their full knowledge and availability.

Regarding the measures enforced by the government authorities, please refer to the notes in the notes to the financial statements, Part A - Accounting policies - Section 4 - Other aspects.

## Organizational structure and human resources

During the year no particular areas were strengthened but there were targeted placements according to the requirements of some offices/services.

**Table 6. Age range of employees**

| Age range | | | | | | | | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | female | | | male | | | Tot | female | | | male | | | 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 | 3 | 1 | 0 | 4 |
| Junior Managers | 18 | 7 | 0 | 36 | 15 | 0 | 76 | 18 | 7 | 0 | 38 | 13 | 0 | 76 |
| Employees | 19 | 23 | 0 | 10 | 18 | 6 | 76 | 17 | 25 | 0 | 10 | 15 | 7 | 74 |
| **Total** | **37** | **30** | **0** | **49** | **34** | **6** | **156** | **35** | **32** | **0** | **51** | **29** | **7** | **154** |
| Of which: part-time | *4* | *8* | *0* | *0* | *0* | *0* | *12* | *4* | *9* | *0* | *0* | *0* | *0* | *13* |

During the year there were 6 terminations of employment, while there were 8 new joiners, of which 1 person recruited with an apprenticeship contract, 4 people with a fixed term, 3 recruited with a permanent contract. The average of total employees (154) does not include any weighting for the 12 part-time contracts.

The punctual number of employees at 31/12/2022 was 156, of which 89 were male and 67 female.

Some of the temporary placements are justified by the need to carry on specific business project with high strategic relevance.

Despite the difficulties of the emergency situation, the usual activity of professional training for all employees continued, through the use of digital tools, with training courses which allowed to deepen the normative and technical knowledge of the staff. More specifically, internal training has been provided on product governance, digital evolution, for the referents of the Privacy Data Processing Register. Specific anti-money laundering courses were also provided. The Company continued to train, according to the new State-Regions directives on occupational safety, all new employees and collaborators.

**Risks associated to the business**

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

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

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

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

Regarding the liquidity risk, 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 3.540 million Euros. In such context:

- Stage 1 cash exposures, (i.e. the performing ones that did not significantly increase credit risk) amounted to Euro 3.467,9 million, or 97,9% of total exposures; net of adjustments, these exposures amounted to 3.464,4 million Euro;
- Stage 2 cash exposures (i.e. the performing ones with a significant increase in risk) amounted to Euro 61,4 million, equal to 1,8% of total investments; net of adjustments, these exposures amounted to Euro 61,2 million;
- Stage 3 cash exposures, (i.e. non-performing exposures) amounted to Euro 10,7 million, or 0,30% of the total investments broken down as follows:
  a) no past due cash exposures;
  b) cash exposures in Probable Defaults of Euro 5,7 million, or 0,16% of total exposures; they, net of adjustments, amounted to Euro 0,9 million, with a coverage percentage of 83,1% (84,4% in 2021);
  c) Non-performing cash exposures of Euro 5 million, equal to 0,15% of total exposures; these exposures, net of adjustments, amounted to Euro 0,1 million, with a coverage percentage of 99% (98,2% in 2021).

On 31st December 2022, losses totaling 1,6 million Euro (1,5 million in 2021) were recorded, broken down as follows: 0,3 million in relation to exposures to Assignors and 1,3 million to Debtors. The amount recorded was fully covered by the appropriate funds.

Regarding the risks, uncertainties and impacts of the Covid-19 epidemic, please refer to the supplementary note Part A - Accounting policies - Section 4 - Other aspects.

Credit risk concentration and equity information

Regarding the parameters established by the regulations in force, during 2022 the activity aimed at ensuring compliance with them was carried out, with the support of applications in use for a while in the Company’s management system.

Regarding the concentration of risk, see Part D - Other information - Section 3 - Information on risks and related hedging policies for further details.

As of 31 December 2022, No. 20 "large exposures" positions were recorded (16 positions in 2021). For risk positions above the limit of 25% of the eligible capital, the Parent Company ensures, through guarantees, that the individual limit is exceeded; on 31 December 2022, seven primary Groups exceeded this limit.

It should be noted that on 31 December 2022 both the CET1 Capital ratio and the Total Capital ratio amounted to 10,343% (10,706% on 31 December 2021) and the surplus was Euro 106.385.505 (Euro 109.086.735 on 31 December 2021), for further details on the assets, please refer to the notes to the financial statements Part D - Other information - Section 4 - Information on Assets.

## Going concern

Under the directives of the Parent Company, the Company will continue its business, 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, point 1 of the Italian Civil Code, it should be noted that that your company has carried out, during the year, an internal development of software applications dedicated to innovations, intangible assets that will generate economic benefits also in the coming years.

The Other disclosure section of the Notes to the financial statements provides the information about related party transactions required by article 2428.3.2 of the Italian Civil Code.

With respect to the disclosures as per article 2428.3.3/4 of the Italian Civil Code, the company states that it does not hold treasury shares or shares of its Parent Company, either directly or via trustees or nominees. Moreover, it states that it did not either purchase or sell treasury shares or shares of its Parent Company during the year 2020, either directly or via trustees or nominees.

Part D of the Notes to the financial statements and the previous sections of this report provide the information about risks required by article 2428.6-bis of the Italian Civil Code.

The company does not have secondary offices.

## Outlook

Regarding the factoring industry surveys conducted by the association of category Assifact confirm the positive expectations on the industry for the year just begun, is in terms of turnover (+5,15%) is in terms of outstanding (+4,80%)

both in terms of average loans (+4,04%), as well as the general confidence of operators about the expected performance of the fiscal result for 2023 (66,67% of operators expect a growing trend compared to 2022, about 14,81% expect a value on the same levels and 18,52% instead has a negative forecast).

The Factorit objectives for 2023 were drawn up in line with the Group's strategic guidelines on the basis of the forecasts expected for the performance of the Italian economy, with particular attention to GDP, taking into account the persistence of inflationary phenomena, the Russia-Ukraine conflict that will continue to characterize the socio-economic scenario, the outbreak of corporate insolvencies and, last but 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 the affiliated Banks, without neglecting direct development operations, also taking into account macroeconomic and context variables that still present significant risks.

In particular, we refer to the above-mentioned economic situation significantly burdened by inflationary spirals, the continuous growth of nominal interest rates, the uncertainty related to the Russia-Ukraine conflict, the level of energy prices and a recovery that during the year will struggle to find positive levels. With regard to the possible consequences of the conflict, it should be noted that the Company does not have direct exposures to these markets and that indirect risks are not considered significant.

In this scenario, growth opportunities will be pursued carefully, while maintaining the aim of risk containment as well as the improvement of the managed portfolio, in the light of supporting deserving companies and customers of the Group and/or affiliated Banks.

Finally, any chance of expanding the Company's activity towards customers operating 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 in favor of certain categories of customers has been expanded, to meet the needs of those that will allow the Company to proceed in the complex but rewarding loyalty activities as well as the development of new business opportunities.

On the operating costs side, the Company will continue to maintain careful management without precluding development-related investments.

**Significant subsequent events after the year end**

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

Dear Shareholder,

we propose you approve the financial statements as at and for the year ended December 31st, 2022, and the allocation of the profit for the year as follows:

| | | |
|---|---|---|
| Net profit for the year | Euro | 23.903.433 |
| Profits from previous year | Euro | 411.388 |
| Profits to allocate | Euro | 24.314.821 |
| Of which: | | |
| 5% of the profit to Legal Reserve | Euro | 1.195.172 |
| Dividend Euro 0,19 to each of the n. 85.000.002 outstanding shares | Euro | 16.150.000 |
| Profits to extraordinary reserve | Euro | 6.798.409 |
| Retained profits | Euro | 171.240 |

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 Shareholder for his 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, 13th March 2023

On behalf of the Board of Directors

Chairman
(Roberto Ruozi)

# FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

# 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.

# FINANCIAL STATEMENT

*(Euro)*

| **Assets** | **31/12/2022** | **31/12/2021** |
|---|---|---|
| 10. Cash and cash equivalents | 1.913.848 | 2.037.431 |
| 30. Financial assets measured at fair value through OCI | 793.216 | 1.166.554 |
| 40. Financial assets measured at amortised cost: | 3.531.993.369 | 2.925.740.147 |
| a) with banks | 10.206.145 | 5.174.883 |
| b) with financial institutions | 580.355.907 | 344.197.972 |
| c) with customers | 2.941.431.317 | 2.576.367.292 |
| 80. Property and Equipment | 17.937.171 | 17.474.069 |
| 90. Intangible assets | 171.240 | 411.388 |
| 100. Tax assets | 17.122.232 | 18.245.516 |
| a) current | 2.046.548 | 1.049.153 |
| b) deferred | 15.075.684 | 17.196.363 |
| 120. Other assets | 14.492.164 | 1.661.959 |
| **TOTAL ASSETS** | **3.584.423.240** | **2.966.737.064** |

| **Liabilities and Equity** | **31/12/2022** | **31/12/2021** |
|---|---|---|
| 10. Financial liabilities measured at amortised cost | 3.278.808.584 | 2.676.529.160 |
| a) debts | 3.278.808.584 | 2.676.529.160 |
| 60. Tax liabilities | 4.871.665 | 3.589.562 |
| a) current | 2.832.503 | 1.550.373 |
| b) deferred | 2.039.162 | 2.039.189 |
| 80. Other liabilities | 20.241.656 | 18.705.395 |
| 90. Post-employment benefits | 1.893.425 | 2.014.551 |
| 100. Provision for risk and charges | 1.185.767 | 1.143.008 |
| a) commitments and guarantees given | 340.726 | 291.388 |
| b) pension and similar provisions | - | - |
| c) other provisions for risks and charges | 845.041 | 851.620 |
| 110. Share Capital | 85.000.002 | 85.000.002 |
| 140. Share premium | 11.030.364 | 11.030.364 |
| 150. Reserves | 157.985.405 | 152.868.266 |
| 160. Valuation reserves | -497.061 | -310.385 |
| 170. Profit (Loss) for the period | 23.903.433 | 16.167.141 |
| **TOTAL LIABILITIES AND EQUITY** | **3.584.423.240** | **2.966.737.064** |

# INCOME STATEMENT

*(Euro)*

| Income Statement items | 31/12/2022 | 31/12/2021 |
|---|---|---|
| 10. Interests and similar income | 33.206.207 | 16.931.520 |
| of which: interest income calculated using the effective interest method | 33.206.207 | 16.931.520 |
| 20. Interest and similar expense | -5.985.691 | -643.373 |
| **30. NET INTEREST INCOME** | **27.220.516** | **16.288.147** |
| 40. Fee and commission income | 29.941.015 | 25.344.300 |
| 50. Fee and commission expense | -4.243.998 | -3.450.566 |
| **60. NET FEE AND COMMISSION INCOME** | **25.697.017** | **21.893.734** |
| 70. Dividends and similar income | 29.126 | - |
| 80. Net trading income | 28.152 | 24.280 |
| **120. TOTAL INCOME** | **52.974.811** | **38.206.161** |
| 130. Net impairment losses for credit risk on: | 797.510 | 4.260.434 |
| a) financial assets measured at amortised cost | 797.510 | 4.260.434 |
| b) financial assets measured at fair value through OCI | - | - |
| **150. NET RESULT OF FINANCIAL MANAGEMENT** | **53.772.321** | **42.466.595** |
| 160. Administrative expenses: | -17.731.056 | -18.098.662 |
| a) personnel expenses | -12.447.609 | -13.074.732 |
| b) other administrative expenses | -5.283.447 | -5.023.930 |
| 170. Net accruals to provisions for risks and charges | -49.338 | 130.498 |
| a) commitments and guarantees given | -49.338 | 244.855 |
| b) other net accruals | - | -114.357 |
| 180. Depreciation and net impairment losses on property and equipment | -1.285.911 | -1.515.905 |
| 190. Amortisation and net impairment losses on intangible assets | -297.384 | -140.268 |
| 200. Other operating income/expense | 863.591 | 629.588 |
| **210. OPERATING COST** | **-18.500.098** | **-18.994.749** |
| 250. Net gain on the sale of investments | 8.017 | 21.526 |
| **260. PRE-TAX PROFIT FROM CONTINUING OPERATIONS** | **35.280.240** | **23.493.372** |
| 270. Income taxes | -11.376.807 | -7.326.231 |
| **280. POST-TAX PROFIT FROM CONTINUING OPERATIONS** | **23.903.433** | **16.167.141** |
| **300. PROFIT (LOSS) FOR THE PERIOD** | **23.903.433** | **16.167.141** |

# STATEMENT OF COMPREHENSIVE INCOME

*(Euro)*

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **10.Profit (loss) for the period** | **23.903.433** | **16.167.141** |
| **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 | (270.670) | 239.701 |
| 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 | 83.994 | 680 |
| 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 designated 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 | **(186.676)** | **240.381** |
| **180.Comprehensive income (Item 10+170)** | **23.716.757** | **16.407.522** |

# STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

*(Euro)*

| | Opening balance at 31/12/2021 | Changes in opening balances | Opening balance at 01/01/2021 | Allocation of prior year result | | Changes of the year | | | | | | | Comprehensive income 31/12/2022 | Equity 31/12/2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issuing 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 | 143.699.064 | - | 143.699.064 | 5.117.139 | | - | - | - | - | - | - | | - | 148.816.203 |
| b) others | 9.169.202 | - | 9.169.202 | - | - | - | - | - | - | - | - | | - | 9.169.202 |
| Valuation reserves | (310.385) | - | (310.385) | - | - | - | - | - | - | - | - | | (186.676) | (497.061) |
| Equity instruments | - | - | - | - | - | - | - | - | - | - | - | | - | - |
| Treasury shares | - | - | - | - | - | - | - | - | - | - | - | | - | - |
| Profit (Loss) for the period | 16.167.141 | - | 16.167.141 | (5.117.139) | (11.050.000) | - | - | - | - | - | - | | 23.903.433 | 23.903.435 |
| Equity | 264.755.388 | - | 264.755.388 | - | - | - | - | - | - | - | - | | 23.716.757 | 288.472.145 |

# 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 31/12/2020 | Allocation of prior year result | | Changes of the year | | | | | | Comprehensive income 31/12/2021 | Equity 31/12/2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issuing 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) others | 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 CASH FLOWS

*(Euro)*

| A. OPERATING ACTIVITIES | Amount | |
|---|---|---|
| | **31/12/2022** | **31/12/2021** |
| **1. OPERATIONS** | **13.532.673** | **6.714.432** |
| - profit or loss for the period (+/-) | 23.903.433 | 16.167.141 |
| - net losses on financial assets held for trading and on financial assets/liabilities at fair value through profit and loss (+/-) | (28.152) | (24.280) |
| - capital gains/losses on hedged assets (+/-) | - | - |
| - net impairment losses | (797.510) | (4.260.434) |
| - net impairment losses on property and equipment and intangible assets (+/-) | 1.583.295 | 1.656.173 |
| - net accruals to provisions for risks and charges and other costs/revenue (+/-) | 49.338 | (130.497) |
| - unsettled taxes and tax assets (+/-) | 9.185.347 | 3.896.936 |
| - other adjustments (+/-) | (20.363.078) | (10.590.607) |
| **2. CASH FLOWS GENERATED/ABSORBED BY FINANCIAL ASSETS** | **(616.589.410)** | **(312.347.922)** |
| - 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 | 373.338 | (330.619) |
| - financial assets measured at amortised cost | (606.253.222) | (318.476.990) |
| - other assets | (10.709.526) | 6.459.687 |
| **3. CASH FLOWS GENERATED/ABSORBED BY FINANCIAL LIABILITIES** | **603.050.647** | **303.171.552** |
| - financial liabilities measured at amortised cost | 602.279.424 | 298.316.817 |
| - financial liabilities held for trading | - | - |
| - financial liabilities designated at fair value | - | - |
| - other liabilities | 771.223 | 4.854.735 |
| ***Net cash flows generated/absorbed by operating activities*** | **(6.090)** | **(2.461.938)** |
| **B. INVESTING ACTIVITIES** | | |
| **1. CASH GENERATED BY** | **8.800** | **10.253** |
| - sales of property and equipment | 8.800 | 10.253 |
| - sales of intangible assets | - | - |
| - sales of business units | - | - |
| **2. CASH FLOWS USED TO ACQUIRE** | **(126.293)** | **(129.184)** |
| - property and equipment | (69.057) | (10.084) |
| - intangible assets | (57.236) | (119.100) |
| - business units | - | - |
| ***Net cash flows generated/absorbed by investing activities*** | **(117.493)** | **(118.931)** |
| **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** | **(123.583)** | **(2.580.869)** |

| RECONCILIATION | Amount | |
|---|---|---|
| | **31/12/2022** | **31/12/2021** |
| Opening cash and cash equivalents balance | **2.037.431** | **4.618.300** |
| Total net cash flows for the year | (123.583) | (2.580.869) |
| **Closing cash and cash equivalents balance** | **1.913.848** | **2.037.431** |

# NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31.12.2022

## 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.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

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

## Section 3 *Events after reporting date*

The Board of Directors authorized the publication of the Financial Statements on March 13th, 2023.

No relevant events occurred that could significantly interfere with the company's financial and equity situation so that their omission could affect the economic decisions of the users of the financial statements.

Nowadays, the conflict between Russia and Ukraina, begun in February 2022, is still taking place; however, it should be noted that the company, at the date, does not hold direct exposures to counterparties resident or operating in the affected markets, so that any related risks are not be considered to be significant.

## Section 4 *Other aspect*

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.
The above-mentioned 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 balance sheet aggregates.
The company defined the estimate's processes behind the recording value of the most significant valuation items accounted in the financial statements 2022, 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, 2022.
However, it should be noted that the evaluation process described is made particularly complex by the intricate 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 experience, as it has already happened in the past, fast changes not currently predictable, with consequential effects, even relevant, on the values stated in the financial statements 2022.

*New International accounting principles validated and applied in the writing of financial statements of 31th December 2022*

A discussion about the new accounting principles or modifications to existing principles approved by the IASB, as well as the new interpretations or changes in the existing ones, published by the IFRIC, will follow, highlighting which ones were applied in the financial statement of 2022 and those applicable in subsequent years.

*New documents issued by the IASB, approved by the UE and to be mandatorily applied in the financial statements of 2022*

➢ *Regulation (UE) 2021/1080 of the 28th of June 2021*, amending Regulation 1126/2008. Such regulation introduces a set of formal changes in International Accounting Principles (IAS) 16, 37, 41 and *International Financial Reporting Standard* (IFRS) 1, 3, 9.

More specifically, IASB published the following modifications to IFRS:

- amendments to *IFRS 3 Business Combinations*: updates the reference in IFRS 3 to the Conceptual Framework in the revised version, without any changes to the provisions of the standard;
- amendments to *IAS 16 Property, Plant and Equipment*: does not allow to deduct from the cost of immobilization the amount received from the sale of goods produced before the asset is ready for use. Such sales revenues and related expenses will be included in the Income Statement;
- amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets:* determines which cost items are to be considered in assessing whether a contract will generate a loss;
- Annual Improvements 2018-2020: Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards*, *IFRS 9 Financial Instruments*, *IAS 41 Agriculture and the Illustrative Examples* together with *IFRS 16 Leases*.

Taking into consideration the effects of the mentioned unpdates, the application of the relevant amendments has not had any impact on the Company.

*New accounting standards, amendments and interpretations which will be mandatory after 31 December 2022.*

➢ *Regulation (EU) 2021/2036 of 19 November 2021 amending Regulation (EC) No 1126/2008*. adopting certain international accounting standards, in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council as regards the International Financial Reporting Standard 17. IFRS 17 - Insurance Contracts published on 18 May 2017 and amendments to IFRS 17 published on 25 June 2020. It shall apply from 1 January 2023.

➢ *Regulation (EU) No. 357 of 2 March 2022 amending Regulation (EC) No 1126/2008.* adopting certain international accounting standards, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, with regard to international accounting standards IAS 1 (Presentation of financial statements) and IAS 8 (Accounting policies, changes in accounting estimates and errors).

Such amendments explore the differences between accounting policies and accounting estimates in order to ensure the consistent application of accounting policies and the comparability of financial statements. With reference to IAS 1, the IASB has introduced a set of modifications with the aim of developing guidelines and examples in the application of relevance and materiality assessments when disclosing accounting policies. In particular, disclosure of accounting policies is relevant if, considered jointly with other

information included in the entity's financial statements, it is reasonable to expect that it will influence the decisions of users of financial statements. Regarding the amendments to IAS 8, the IASB introduced the definition of accounting estimation. Accounting estimates are to be understood as "monetary amounts in the balance sheet subject to valuation uncertainty".
The amendments are applicable from 1 January 2023. with the possibility of early application.

- Regulation (EU) 2022/1392 of 11 August 2022 amending Regulation (EC) No. 1126/2008 with regard to IAS 12. These amendments specify how deferred taxes are to be recorded when dealing with transactions such as leases and decommissioning obligations and are intended to reduce the dishomogeneity in the recognition of deferred tax assets and liabilities on such operations. The amendments are applicable from 1 January 2023, or later.
- Regulation (EU) 2022/1491 of 8 September 2022 amending Regulation (EC) No 1126/2008 with regard to the International Financial Reporting Standard 17. The amendment concerns financial assets for which comparative information is required at the transition date according to IFRS 17 and IFRS 9, but which is not restated under IFRS 9, in order to avoid temporary accounting mismatching between the valuation of financial assets and those of insurance contracts, thereby contributing to improving the comparability of information for users of financial statements. The amendments are applicable from 1 January 2023.

*IAS/IFRS accounting standards and SIC/IFRIC interpretations issued by the IASB/IFRIC, pending approval*

- Amendments to IAS 1 - Presentation of financial statements: Classification of liabilities as current or non-current. On 23 January 2020, the IASB published an amendment to IAS 1 to clarify one of the criteria in IAS 1 for classifying a liability as non-current, establishing as a requirement that an entity must have the right to defer the settlement of the liability for at least 12 months after the balance sheet date.

The requirement implies that:

- the indication that the right to defer the settlement must exist on the Balance Sheet date;
- clarification that classification is not affected by management's intentions or expectations about the possibility of using the deferral right;
- a clarification on how funding conditions affect classification;
- a clarification of the requirements for classifying liabilities that an entity intends to settle or could settle by issuing its own equity instruments.

*<u>Risks, uncertainties and impacts of the Covid-19 epidemic and the Russian-Ukrainian conflict</u>*

In 2022, the effects of the pandemic have considerably diminished even if not globally, given that China has nevertheless continued in the measures of containment of the contagion, incessantly pursuing the "zero Covid" strategy, which led inevitable economic slowdowns also globally. The consequences for the European economy and, consequently, for the Italian economy, have concerned the supply of raw materials whose costs are kept high, due to the scarce availability on the market. The slowdown in the Chinese economy, however, helped to calm the price of oil and gas, which decreased significantly, while remaining historically high.
The choice of further restrictions at the end of the year by the Chinese government has led, in Europe, to a general slowdown of the sectors most affected by the pandemic, such as

trade, transport and hospitality services, as well as further tensions on trade with delays in the various supplies and/or reduction of deliveries.
The sudden softening of the restrictive policies decided by the Chinese government at the beginning of December, in order to relaunch the country's economy, could lead, during the new year, to increased demand for raw materials with repercussions on prices, generating further inflationary spirals in the economies of the most industrialized countries.
The risks to which the Company is exposed by the impacts of the Covid-19 epidemic, now behind us, are therefore attributable to the consequences of lasting inflation, due to the increase in demand for raw materials and energy products, which could slow down the economic recovery of our country, aggravating the growing nominal interest rates decided by the ECB.
The consequences would be reflected in the reduction in the intermediation margin that will suffer from the increasing cost of funding, only partly absorbed by the increase in pricing already practised to customers, which is already unfolding its effects, given the reduction in demand for end-of-year jobs due to the economic slowdown and competition from the sector by the largest bank competitors who manage to charge lower prices overall.
The pandemic has caused the increasing of debts: those of companies and citizens but especially those of governments which intervened to prevent the collapse of the economy.
At its December meeting, the Governing Council of the ECB, in addition to raising policy rates by 50 basis points, announced the criteria by which it will normalise the holdings of securities held by the Eurosystem for monetary policy purposes.
The portfolio of the Financial Asset Purchase Programme (JPA) will be reduced to a measured and predictable pace, averaging Euro 15 billion per month from the beginning of March until the end of the second quarter of 2023. Reinvestment of maturing bonds under the Pandemic Emergency Programme (PEPP) will continue until the end of 2024 and will be conducted flexibly.
On the other hand, in relation to the Russian invasion of Ukraine, which took place at the end of February 2022 and is still ongoing, it is clear that this has led to a drastic deterioration of the macroeconomic environment and the recovery forecasts. In particular, the conflict has had a negative impact on the global economy through rising commodity and energy prices. This added inflationary pressures, imposing a difficult scenario on central banks in their attempt to control inflation without triggering a recession. Moreover, during 2022, the supply of gas and oil to the European Union from Russia has been progressively reduced, with the risk of further impacts in the coming months. In this context, characterized by increasing uncertainty on the macroeconomic outlook, the Group has maintained the dealings already established in the previous quarters, even strengthening them with a further specific monitoring of credit risk.
Overall, it should be noted that the Company does not have direct exposures to counterparties resident or operating in the affected markets and that indirect risks are not considered significant.
As will be discussed later, in the section "Information on risks and related hedging policies", the Company, starting from September 2022, uses a management overlay aimed at ensuring the full compliance of the final level of collective depreciation to the actual level of risk - current and prospective - of its counterparties portfolio, taking into account the particular macroeconomic and geopolitical context that has arisen.

As described above, since no funding has been granted under moratorium or granted or guaranteed by the State or other public bodies, it has 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) balance sheet information as per the Banca d'Italia communication of 21 December 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 the Covid-19 and economic support measures have produced on risk management strategies, objectives and policies, as well as on the financial position of intermediaries.
With regard to the determination of expected losses on non-performing loans, see Section 3 - Information on risks and related hedging policies, in the Section on Credit Risk.

Regard to the information required by paragraph 125 of IAS 1, concerning the disclosure of future assumptions and other major causes of uncertainty in estimates at the end of the period that present a material risk of leading to significant adjustments in asset/liabilities values within the following 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) are reported over a three-year horizon with the related simulations. In particular, the determination of expected losses on financial instruments not measured at fair value with an impact in the income statement at 31 December 2022 have been estimated on the basis of all reasonable and demonstrable information at the reference date as well as information collected thereafter, including the expected evolution of the main economic variables, appropriately weighted according to the probability of occurrence attributed to the different scenarios identified.

*Information pursuant to art. 1 paragraphs 125-129 of Law August 4, 2017 n. 124/17 "Annual Law for the market and competition - Transparency measures in public payments" as amended by D.L. 30/4/2019 n. 34 (c.d. "Growth Decree") art. 35*

With reference to the above mentioned legislation, it is specified that contributions or aid in cash or in kind not of a general nature and not of a compensatory nature, remuneration or compensation paid to the company have been the subject of publication in the National Register of State aid, referred to as provided by art. 125-quinquies.
Please note that during the year the Company has not collected any sums.

The changes in accounting standards already in force have been noted in the preparation of this balance sheet.

In drawing up these financial statements, the Company has made no exceptions to International Accounting Standards.

The Auditing Company in office is EY S.p.A., as per the resolution of the Shareholders' Meeting of 20 September 2017, whose mandate expires on the date of approval of the financial statements of Factorit S.p.A. at 31 December 2025.

## A.2 – MAIN BALANCE SHEET ITEMS

For the main items in the balance sheet, the following items are presented:
- 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

No impairment test shall be required at the end of each period or intra-annual situation as regards the equity securities classified under this item, as changes in fair value due to a deterioration in the credit status are attributed to a denominated equity reserve "Valuation Reserve".

### 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 portfolio management and the chosen business model, or due to significant changes in the strategic choices, are decided by the Board of Directors and the potential 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 shift between stages: this model is symmetrical, and the activities can move between the different stages.
The valuation of the financial assets measured at amortised cost takes place on the bases of the expected credit loss computation ("expected credit loss"), that is defined as an estimate of the weighted probabilities of credit losses over the expected life of the financial instrument weighted by the probability of occurrence, where it is calculated based on the stage classification defined above.
In particular:

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

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

**4.4 Derecognition criteria**

Such 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 as 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 potential 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;
b) in "Depreciation and net impairment losses on property and equipment";
c) 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

The 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 it is worth noting that:

- the beared costs remains in the pertinent item;

- for assets not yet exploited, its related costs are excluded and recorded in a specific account “Increase in intagibles – internally generated operating software”, section 200. Other operating income/expense to offset the Financial Statement account “Assets under development and advances”. As the assets begin to take part to the production process, the amount recorded in these accounts is transferred to the Financial Statement account Operating Software internally produced and the amortization period starts based on the duration defined in the preliminary phase of the project.

### 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**

Such debts are recorded at the settlement date at their current value, which usually coincides, for amounts due to banks, with the amount collected by the company and to the amount of the liability, if the counterparties arefinancial institutions or 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 are part of 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 the provision is the present value of the expenditures expected to be required to settle the obligation.
Provisions are derecognised when used or if the conditions for their recording 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), ongoing at the balance sheet date as a result of a past event; or it is probable that the use of economic resources will be necessary to fulfill the obligation; or a reliable estimate can be made of the amount necessary to fulfill the obligation.

### 10.3 Recognition of costs and revenue

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

**Foreign currency transactions**

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

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

*Measurement criteria*
They are subsequently retranslated using the spot rate ruling at the reporting date.

*Recognition of costs and revenue*
Foreign currency transactions are minimal. Moreover, the company usually hedges foreign currency loans with funding in the same currency to avoid currency risk.
Any exchange rate gains or losses (which are immaterial) are recognised in "Net trading income".

***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.
More specifically:

- revenues 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 basis;
- default interests are recognized in profit or loss solely when collected;
- interests on considerations received from the assignors, and on payment extensions granted to the assigned debtors, are recorded on an accrual 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 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 given 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 as 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.
It is worth noting that 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 stated 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, being 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 | 728.140 | - | 65.076 | 793.216 |
| 3. Hedging derivatives | | | | |
| 4. Property and equipment | - | - | - | - |
| 5. Intangible assets | - | - | - | - |
| **Total** | 728.140 | - | 65.076 | **793.216** |
| 1. Financial liabilities held for trading | - | - | - | - |
| 2. Financial liabilities designated at fair value | - | - | - | - |
| 3. Hedging derivatives | - | - | - | - |
| **Totale** | - | - | - | - |

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

| | Financial assets measured at fair value through profit or loss | | | | Financial assets measured at fair value through OCI | Hedging derivatives | Property and equipment | Intangible assets |
|---|---|---|---|---|---|---|---|---|
| | Total | of which: a) financial assets held for trading | of which: b) financial assets designated at fair value | of which: c) other financial assets mandatorily measured at fair value | | | | |
| **1. Opening balance** | - | - | - | - | **65.076** | - | - | - |
| **2. Increases** | - | - | - | - | - | - | - | - |
| 2.1. Purchases | - | - | - | - | - | - | - | - |
| 2.2. Profits charged to: | - | - | - | - | - | - | - | - |
| 2.2.1 Income statement | - | - | - | - | - | - | - | - |
| Of which: profits | - | - | - | - | - | - | - | - |
| 2.2.2 Equity | - | - | - | - | - | - | - | - |
| 2.3. Changes from other levels | - | - | - | - | - | - | - | - |
| levels | - | - | - | - | - | - | - | - |
| 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: losses | - | - | - | - | - | - | - | - |
| 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 measured at fair value or measured on a recurring basis | 31/12/2022 | | | | 31/12/2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | VB | L1 | L2 | L3 | VB | L1 | L2 | L3 |
| 1. Financial assets measured at amortised cost | 3.531.993.369 | - | - | 3.531.993.369 | 2.925.740.147 | - | - | 2.925.740.147 |
| 2. Tangible assets held for investments | - | - | - | - | - | - | - | - |
| 3. Non-current assets held for trade and disposal groups | - | - | - | - | - | - | - | - |
| **Total** | **3.531.993.369** | **-** | **-** | **3.531.993.369** | **2.925.740.147** | **-** | **-** | **2.925.740.147** |
| 1. Financial liabilities measured at amortised cost | 3.278.808.584 | - | - | 3.278.808.584 | 2.676.529.160 | - | - | 2.676.529.160 |
| 2. Liabilities associated to assets disposal | - | - | - | - | - | - | - | - |
| **Total** | **3.278.808.584** | **-** | **-** | **3.278.808.584** | **2.676.529.160** | **-** | **-** | **2.676.529.160** |

### *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 performed any transactions that would have required 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.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| a) Cash | 1.645 | 2.321 |
| c) Current accounts and demand deposits with banks | 1.912.203 | 2.035.110 |
| **Totale** | **1.913.848** | **2.037.431** |

### *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 | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **1. Debt instruments** | - | - | - | - | - | - |
| 1.1. Structured | - | - | - | - | - | - |
| 1.2. Others | - | - | - | - | - | - |
| **2. Equity Instruments** | 728.140 | - | 65.076 | 1.101.478 | - | 65.076 |
| **3. Financing** | - | - | - | - | - | - |
| **Total** | **728.140** | - | **65.076** | 1.101.478 | - | **65.076** |

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.The company, given the non-significant materiality, did not adapt the value of the participation to the most recent financial statement available at 31/12/2021, whose value would have been approximately of Euro 91.000.
- 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 distribution 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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Debt instruments** | - | - |
| a) Public administrations | - | - |
| b) Banks | - | - |
| c) Other financial institutions | - | - |
| of which: insurance institutions | - | - |
| d) Non-financial institutions | - | - |
| **2. Equity instruments** | 793.216 | 1.166.554 |
| a) Public administrations | - | - |
| b) Banks | - | - |
| c) Other financial institutions | - | - |
| of which: insurance institutions | - | - |
| d) Non-financial institutions | 793.216 | 1.166.554 |
| **3. Financing** | - | - |
| a) Public administrations | - | - |
| b) Banks | - | - |
| c) Other financial institutions | - | - |
| of which: insurance institutions | - | - |
| d) Non-financial institutions | - | - |
| e) Households | - | - |
| **Total** | **793.216** | **1.166.554** |

## 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 | 31/12/2022 | | | | | | 31/12/2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | First and second stage | Third stage | Of which: purchased or originated impaired | L1 | L2 | L3 | Primo e secondo stadio | Terzo stadio | Of which: purchased or originated impaired | L1 | L2 | L3 |
| **1. Deposits and current correnti** | - | - | - | - | - | - | - | - | - | - | - | - |
| **2. Checking Accounts** | - | - | - | - | - | - | - | - | - | - | - | - |
| **3. Financing** | **5.349.487** | - | - | - | - | **5.349.487** | **1.043.917** | - | - | - | - | **1.043.917** |
| 3.1 Reverse repurchase agreement | - | - | - | - | - | - | - | - | - | - | - | - |
| 3.2 Financial Leases | - | - | - | - | - | - | - | - | - | - | - | - |
| 3.3 Factoring | 5.349.487 | - | - | - | - | 5.349.487 | 1.043.917 | - | - | - | - | 1.043.917 |
| - with recourse | - | - | - | - | - | - | - | - | - | - | - | - |
| - without recourse | 5.349.487 | - | - | - | - | 5.349.487 | 1.043.917 | - | - | - | - | 1.043.917 |
| 3.4 Other financing | - | - | - | - | - | - | - | - | - | - | - | - |
| **4. Debt instruments** | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 other | - | - | - | - | - | - | - | - | - | - | - | - |
| **5. Other assets** | **4.856.658** | - | - | - | - | **4.856.658** | **4.130.966** | - | - | - | - | **4.130.966** |
| **Total** | **10.206.145** | - | - | - | - | **10.206.145** | **5.174.883** | - | - | - | - | **5.174.883** |

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 4.855.327, 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 | 31/12/2022 | | | | | | 31/12/2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **580.294.519** | - | - | - | - | **580.294.519** | **344.124.488** | - | - | - | - | **344.124.488** |
| 1.1 Reverse repurchase agreement | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Financial Leases | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.3 Factoring | 509.014.042 | - | - | - | - | 509.014.042 | 292.003.372 | - | - | - | - | 292.003.372 |
| - with recourse | 505.803.903 | - | - | - | - | 505.803.903 | 291.024.739 | - | - | - | - | 291.024.739 |
| - without recourse | 3.210.139 | - | - | - | - | 3.210.139 | 978.633 | - | - | - | - | 978.633 |
| 1.4 Other financing | 71.280.477 | - | - | - | - | 71.280.477 | 52.121.116 | - | - | - | - | 52.121.116 |
| **2.Debt instruments** | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - | - | - | - | - | - | - |
| **3.Other assets** | **61.388** | - | - | - | - | **61.388** | **73.484** | - | - | - | - | **73.484** |
| **Total** | **580.355.907** | - | - | - | - | **580.355.907** | **344.197.972** | - | - | - | - | **344.197.972** |

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 | 31/12/2022 | | | | | | 31/12/2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | First and second stage | Third stage | Of which: Purchased or originated impaired | L1 | L2 | L3 | Primo e secondo stadio | Terzo stadio | Of which: Purchased or originated impaired | L1 | L2 | L3 |
| **1. Financing** | **2.940.418.862** | **1.012.455** | - | - | - | **2.941.431.317** | **2.575.155.962** | **1.211.313** | - | - | - | **2.576.367.275** |
| 1.1 Financial leases | - | - | - | - | - | - | - | - | - | - | - | - |
| of which: without purchase option | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 Factoring | 2.767.483.270 | 998.385 | - | - | - | 2.768.481.655 | 2.443.655.316 | 1.176.306 | - | - | - | 2.444.831.622 |
| - with recourse | 1.299.008.957 | 986.238 | - | - | - | 1.299.995.195 | 1.380.595.395 | 1.025.746 | - | - | - | 1.381.621.141 |
| - without recourse | 1.468.474.313 | 12.147 | - | - | - | 1.468.486.460 | 1.063.059.921 | 150.560 | - | - | - | 1.063.210.481 |
| 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 | 172.935.592 | 14.070 | - | - | - | 172.949.662 | 131.500.646 | 35.007 | - | - | - | 131.535.653 |
| of which: from the enforcement of guarantees and commitments | - | - | - | - | - | - | - | - | - | - | - | - |
| **2. Debt instruments** | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Other | - | - | - | - | - | - | - | - | - | - | - | - |
| **3. Other assets** | - | - | - | - | - | - | **17** | - | - | - | - | **17** |
| **Total** | **2.940.418.862** | **1.012.455** | - | - | - | **2.941.431.317** | **2.575.155.979** | **1.211.313** | - | - | - | **2.576.367.292** |

The fair value of loans to customers is assumed to be equal to the book value, since it is composed essentially by 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 1.904.858 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 45.987.244 of advances for assignments for loans and receivables that do not fall under the scope of Law no. 52/91;
- Euro 125.043.490 related to other financing.

The impaired "Other financing" refer 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 | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | 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:** | **2.940.418.862** | **1.012.455** | - | **2.575.155.979** | **1.211.313** | - |
| a) Public administrations | 275.558.951 | 4.922 | - | 261.801.023 | - | - |
| b) Non-financial institutions | 2.451.365.754 | 937.471 | - | 2.127.180.080 | 1.090.112 | - |
| c) Households | 213.494.157 | 70.062 | - | 186.174.876 | 121.201 | - |
| **3. Other Assets** | - | - | - | - | - | - |
| **Total** | **2.940.418.862** | **1.012.455** | - | **2.575.155.979** | **1.211.313** | - |

## 4.5 Financial Asset 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 | 3.473.228.664 | - | 61.436.973 | 10.724.303 | - | 3.526.713 | 158.010 | 9.711.848 | - | 32.472.412 |
| Other Assets | - | - | - | - | - | - | - | - | - | - |
| **31/12/2022** | **3.473.228.664** | **-** | **61.436.973** | **10.724.303** | **-** | **3.526.713** | **158.010** | **9.711.848** | **-** | **32.472.412** |
| **31/12/2021** | **2.855.758.016** | **-** | **72.742.999** | **12.702.782** | **-** | **3.755.964** | **216.217** | **11.491.469** | **-** | **32.470.410** |

## 4.6 Financial assets measured at amortised cost: guaranteed assets

| | 31/12/2022 | | | | | | 31/12/2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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:** | **33.085** | **33.085** | **524.543.412** | **524.543.412** | **1.739.921.526** | **1.652.227.169** | **32.706** | **32.706** | **291.008.966** | **291.008.966** | **1.809.821.022** | **1.737.857.160** |
| – Assets under finance lease | - | - | - | - | - | - | - | - | - | - | - | - |
| – Factoring receivables | - | - | 497.434.187 | 497.434.187 | 1.214.155.852 | 1.214.155.852 | - | - | 289.672.921 | 289.672.921 | 1.329.930.400 | 1.329.930.400 |
| – Mortgages | - | - | - | - | - | - | - | - | - | - | - | - |
| – Pledges | - | - | - | - | - | - | - | - | - | - | - | - |
| – Collateral | 33.085 | 33.085 | 27.109.225 | 27.109.225 | 525.765.674 | 438.071.317 | 32.706 | 32.706 | 1.336.045 | 1.336.045 | 479.890.622 | 407.926.760 |
| – Credit derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| **2. Impaired assets guaranteed by:** | - | - | - | - | **776.129** | **776.129** | - | - | - | - | **257.144** | **257.144** |
| – Assets under financial lease | - | - | - | - | - | - | - | - | - | - | - | - |
| – Factoring receivables | - | - | - | - | 769.402 | 769.402 | - | - | - | - | 249.100 | 249.100 |
| – Mortgages | - | - | - | - | 6.727 | 6.727 | - | - | - | - | 6.269 | 6.269 |
| – Pledges | - | - | - | - | - | - | - | - | - | - | - | - |
| – Collateral | - | - | - | - | - | - | - | - | - | - | 1.775 | 1.775 |
| – Credit derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **33.085** | **33.085** | **524.543.412** | **524.543.412** | **1.740.697.655** | **1.653.003.298** | **32.706** | **32.706** | **291.008.966** | **291.008.966** | **1.810.078.166** | **1.738.114.304** |

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 | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Owned** | **84.687** | **129.578** |
| a) land | - | - |
| b) buildings | - | - |
| c) furniture | 13.619 | 15.442 |
| d) electronic system | 36.425 | 39.273 |
| e) other | 34.643 | 74.863 |
| **2. Rights of use under leasing** | **17.852.484** | **17.344.491** |
| a) land | - | - |
| b) buildings | 17.788.476 | 17.295.079 |
| c) furniture | - | - |
| d) electronic system | - | - |
| e) other | 64.008 | 49.412 |
| **Total** | **17.937.171** | **17.474.069** |
| 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 17.701.465.

## 8.6 Property and equipment: annual changes

| | Land | Buildings | Forniture | Electronic system | Other | Total |
|---|---|---|---|---|---|---|
| **A. Gross opening balance** | - | **18.305.044** | **401.042** | **426.076** | **664.066** | **19.796.228** |
| A.1 Total net impairment losses | - | 1.009.965 | 385.600 | 386.803 | 539.791 | 2.322.159 |
| **A.2 Net opening balance** | - | **17.295.079** | **15.442** | **39.273** | **124.275** | **17.474.069** |
| a) Adjustment opening balance (IAS 8) | - | - | - | - | - | - |
| **B. Increases** | - | **1.680.027** | **1.970** | **14.714** | **52.373** | **1.749.084** |
| B.1 Purchase | - | - | 1.970 | 14.714 | 52.373 | 69.057 |
| 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 | - | 1.680.027 | - | - | - | 1.680.027 |
| **C. Decreases** | - | **1.186.630** | **3.793** | **17.562** | **77.997** | **1.285.982** |
| C.1 Sales | - | - | - | - | - | |
| C.2 Depreciation | - | 1.186.630 | 3.722 | 17.562 | 77.997 | 1.285.911 |
| 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 | - | - | 71 | - | - | 71 |
| **D. Net closing balance** | - | **17.788.476** | **13.619** | **36.425** | **98.651** | **17.937.171** |
| D.1 Total net impairment losses | - | 2.196.594 | 385.354 | 130.945 | 495.849 | 3.208.742 |
| **D.2 Gross closing balance** | - | **19.985.070** | **398.973** | **167.370** | **594.500** | **21.145.913** |
| **E. Measurement at cost** | - | **17.788.476** | **13.619** | **36.425** | **98.651** | **17.937.171** |

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

| | Land | Buildings | Forniture | Electronic system | Other | Total |
|---|---|---|---|---|---|---|
| **A. Gross opening balance** | - | **18.305.044** | **-** | **-** | **128.014** | **18.433.058** |
| A.1 Total net impairment losses | - | 1.009.965 | - | - | 78.602 | 1.088.567 |
| **A.2 Net opening balance** | **-** | **17.295.079** | **-** | **-** | **49.412** | **17.344.491** |
| a) Adjustment opening balance (IAS 8) | - | - | - | - | - | - |
| **B. Increases** | **-** | **1.680.027** | **-** | **-** | **51.655** | **1.731.682** |
| B.1 Purchase | - | - | - | - | 51.655 | 51.655 |
| 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 | - | 1.680.027 | - | - | - | 1.680.027 |
| **C. Decreases** | **-** | **1.186.630** | **-** | **-** | **37.059** | **1.223.689** |
| C.1 Sales | - | - | - | - | | |
| C.2 Depreciation | - | 1.186.630 | - | - | 37.059 | 1.223.689 |
| 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 group | - | - | - | - | - | - |
| C.7 Other decreases | - | - | - | - | - | - |
| **D. Net closing balance** | **-** | **17.788.476** | **-** | **-** | **64.008** | **17.852.484** |
| D.1 Total net impairment losses | - | 2.196.594 | - | - | 30.410 | 2.227.004 |
| **D.2 Gross closing balance** | - | **19.985.070** | **-** | **-** | **94.418** | **20.079.488** |
| **E. Measurement at cost** | - | **17.788.476** | **-** | **-** | **64.008** | **17.852.484** |

## Section 9 *Intangible assets*

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

### 9.1 "Intangible assets": composition

| Captions/Measurement | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| | 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 | 171.240 | - | 411.388 | - |
| - internally generated assets | - | - | 221.740 | - |
| - other | 171.240 | - | 189.648 | - |
| 2.2 Under finance lease | - | - | - | - |
| **Total 2** | **171.240** | **-** | **411.388** | **-** |
| **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)** | **171.240** | **-** | **411.388** | **-** |

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, as required by IAS 36, the remaing amount was entirely written-off since the future economic benefits will cease.

### 9.2 Intangible assets: annual changes

| | Total |
|---|---|
| **A. Opening balance** | **411.388** |
| **B. Increases** | **57.236** |
| B.1 Purchases | 57.236 |
| B.2 Reversal of impairment losses | - |
| B.3 Fair value gains recognized in: | - |
| - equity | - |
| - profit & loss | - |
| B.4 Other increases | - |
| **C. Decreases** | **297.384** |
| C.1 Sales | - |
| C.2 Amortisation | 140.640 |
| C.3 Impairment losses recognized in: | - |
| - equity | - |
| - profit & loss | 156.744 |
| C.4 Fair value losses recognized in: | - |
| - equity | - |
| - profit & loss | - |
| C.5 Other decreases | - |
| **D. Closing balance** | **171.240** |

## 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

| Items | Total 31/12/2022 | Total 31/12/2021 |
|---|---|---|
| Current tax assets | 2.046.548 | 1.049.153 |
| Deferred tax assets (through equity) | 215.680 | 144.872 |
| Deferred tax assets (through profit & loss) | 14.860.004 | 17.051.491 |
| **Total** | **17.122.232** | **18.245.516** |

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.
Since 2015 it is allowed to deduct immediately impairment losses on loans with customers, in order to omologate the Italian bank system to the ones of others UE members and so to prevent distorsion of competition.
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). Then, in compliance with the newest amendments introduced by art. 42, par. 1, decree law n.17 of 1st of March 2022, the quote of 12% stated by the above-mentioned art.16 is to be deferred during the fiscal year ending 31/12/2022 in equal quote to the tax period ending 31/12/2023 and to the three following ones (3% per year). The first paragraph amends the par. 1056 of the law 145/2018, according to which the 10% share to be postponed for the purposes of Ires and Irap to 2026 is brought forward to 31 December 2022 for 53% while the remaining part (47%) remains in 2026.
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, 8,3% for 2022, 18% from 2023 to 2024, 11% for 2025 and 7,7% for 2026.

From the fiscal year 2016 there is full immediate deductibility. The above change also has an effect on the IRAP regional tax. Contrary to the provisions of Law No. 145/2018, the ACE facility (Aid for Economic Growth) was reintroduced for the 2019 tax period and with continuity for the years to follow with Law No. 160/2019.

### 10.2 "Tax liabilities: current and deferred": composition

| Items | Total 31/12/2022 | Total 31/12/2021 |
|---|---:|---:|
| Current tax liabilities | 2.832.503 | 1.550.373 |
| Deferred tax liabilities (through equity) | 2.039.162 | 2.039.162 |
| Deferred tax liabilities (through profit & loss) | 0 | 27 |
| **Total** | **4.871.665** | **3.589.562** |

"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)

| | 31/12/2022 | 31/12/2021 |
|---|---:|---:|
| **1. Opening balance** | **17.051.491** | **20.481.021** |
| **2. Increases** | **13.568** | **-** |
| 2.1 Deferred tax assets recognized in the year | 13.568 | - |
| a) related to previous year | - | - |
| b) due to changes in accounting policies | - | - |
| c) reversals of impairment losses | - | - |
| d) other | 13.568 | - |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **2.205.055** | **3.429.530** |
| 3.1 Deferred tax assets recognized in the year | 2.205.055 | 3.429.530 |
| a) reversals | 2.205.055 | 3.429.530 |
| 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** | **14.860.004** | **17.051.491** |

### 10.3.1 Changes in deferred tax assets im compliance with Law no. 214/2011 (recognized in profit or loss)

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Opening balance** | **16.737.162** | **19.925.192** |
| **2. Increases** | **-** | **-** |
| **3. Decreases** | **2.205.055** | **3.188.030** |
| 3.1 Reversals | 2.205.055 | 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** | **14.532.107** | **16.737.162** |

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Opening balance** | **27** | **261** |
| **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** | **27** | **234** |
| 3.1 Deferred tax liabilities derecognized in the year | 27 | 234 |
| a) reversals | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | 27 | 234 |
| 3.2 Decrease in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **0** | **27** |

### 10.5 Changes in deferred tax assets (recognized in equity)

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Opening balance** | **144.872** | **236.051** |
| **2. Increases** | **120.143** | **-** |
| 2.1 Deferred tax liabilities recognized in the year | 120.143 | - |
| a) related to previous year | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | 120.143 | - |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **49.335** | **91.179** |
| 3.1 Deferred tax liabilities derecognized in the year | 49.335 | 91.179 |
| a) reversals | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | - | - |
| 3.2 Decrease in tax rates | 49.335 | 91.179 |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | - | - |
| **1. Opening balance** | **215.680** | **144.872** |

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)

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Tax credits (not classifiable as tax assets) | 208.070 | 200.385 |
| Credit to Parent Company for tax consolidation | 5.039.681 | - |
| Items in transit not yet posted to destination accounts | 8.501.362 | - |
| Guarantee deposits | 22.080 | 22.680 |
| Advances to suppliers | 5.320 | 270 |
| Prepayments and accrued income not recognisable under a specific caption | 540.058 | 452.012 |
| Other items | 175.593 | 986.612 |
| **Total** | **14.492.164** | **1.661.959** |

The item “tax credits” contains the amount of Euro 142.626 referred to the virtual stamp duty.

The item “Items in transit not yet posted to destination accounts" consists essentially of effects being credited referring to portfolio work related to payments from the assigned Debtors which, by accounting date, are credited to the counterparty Customers with different timings than the credits by the presentation banks.

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.

# 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

| Items | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | With banks | With financial institutions | With customers | With banks | With financial institutions | With customers |
| **1. Financing** | 3.202.114.549 | - | - | 2.628.676.460 | - | - |
| 1.1 repurchase agreements | - | - | - | - | - | - |
| 1.2 other financing | 3.202.114.549 | - | - | 2.628.676.460 | - | - |
| **2. Lease liabilities** | 854.257 | - | 17.120.587 | 1.039.459 | - | 16.345.777 |
| **3. Other debts** | 3.374.107 | 21.599.461 | 33.745.623 | 2.339.141 | 11.216.466 | 16.911.857 |
| **Total** | **3.206.342.913** | **21.599.461** | **50.866.210** | **2.632.055.060** | **11.216.466** | **33.257.634** |
| **Fair value – level 1** | - | - | - | - | - | - |
| **Fair value – level 2** | - | - | - | - | - | - |
| **Fair value – level 3** | 3.206.342.913 | 21.599.461 | 50.866.210 | 2.632.055.060 | 11.216.466 | 33.257.634 |
| **Total fair value** | **3.206.342.913** | **21.599.461** | **50.866.210** | **2.632.055.060** | **11.216.466** | **33.257.634** |

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.
The item “Other debts” with financial institutions refers to factoring debts related to credits with assigned debtors recorded in the financial statements.
The item “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.

Due to banks include:

| Description | Amount |
|---|---|
| On demand current account exposures | 86.158.733 |
| Hot money at maturity | 250.000.000 |
| Commissions to be paid | 369.273 |
| Foreign currency advances | 52.828.590 |
| Supplier invoices received and to be received | 721.119 |
| Due to parent | 2.815.190.195 |
| Accrued expenses on hot money | 3.695 |
| Accrued expenses on foreign currency advances | 214.290 |
| Due to principals | 857.018 |
| **Total** | **3.206.342.913** |

### 1.5 Lease liabilities

Outgoing financial flows for leasing

| Liabilities / Amounts | Lease Liability Amount 01.01.2022 | Financial flows | Interests | Other changes | Carrying Amount at 31.12.2022 |
|---|---|---|---|---|---|
| Properties | 17.337.344 | (1.286.041) | 180.675 | 1.680.027 | 17.912.005 |
| Cars | 47.892 | (35.719) | 308 | 50.358 | 62.839 |
| Others | - | - | - | - | - |
| **Total** | **17.385.236** | **(1.321.760)** | **180.983** | **1.730.385** | **17.974.844** |

At 31.12.2022 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 1,07%.
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 | 1.375.759 | 5.005.704 | 6.736.483 | 6.353.290 |
| Cars | 27.804 | 36.652 | - | - |
| Others | - | - | - | - |
| **Total** | **1.403.563** | **5.042.356** | **6.736.483** | **6.353.290** |

## *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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Taxes payable | 558.411 | 537.235 |
| Tax consolidation | 6.352.844 | 2.346.563 |
| Personnel | 253.932 | 303.938 |
| Social security institutions | 547.879 | 559.952 |
| Suppliers | 712.360 | 700.235 |
| Invoices to be received | 467.874 | 459.101 |
| Amounts to be credited under processing | 3.107.362 | 8.676.437 |
| Directors and Statutory auditors | 23.920 | 54.704 |
| Other | 8.217.074 | 5.067.230 |
| **Total** | **20.241.656** | **18.705.395** |

The caption “Amounts to be credited under processing” relates to remittances received but not yet allocated to the relevant captions.

The caption “Other” includes:

- Euro 5.947.836 for deferred income due to attribution on an accrual basis in relation to the duration of the underlying credit of the commissions invoiced to customers;
- Euro 1.750.228 for unallocated deferred income, for Euro 346.768 for items awaiting settlement and Euro 172.242 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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **A. Opening balance** | **2.014.551** | **2.161.392** |
| **B. Increases** | **3.795** | **(46)** |
| B.1 Accruals | 3.795 | (46) |
| B.2 Other increases | - | - |
| **C. Decreases** | **124.921** | **146.795** |
| C.1 Payments | 9.068 | 140.035 |
| C.2 Other decreases | 115.853 | 6.760 |
| **D. Closing balance** | **1.893.425** | **2.014.551** |

The amount, calculated according to the national legislation, amounts to Euro 1.940.334. In compliance with 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).

Such critheria provides that the costs to be incurred during the year for the establishment of the TFR are determined based on 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 made in the actuarial calculation:

| | 31/12/2022 | | 31/12/2021 |
|---|---|---|---|
| Technical discount rate | | 2,94% | 0,19% |
| | 2023: | 5,90% | |
| Average Annual inflation rate | 2024: | 2,30% | 1,50% |
| | SUCC: | 2,00% | |
| Average annual rate of performance increase | | EQUALIZATION | - |

Regarding the average discount rate, the value of the I-Boxx Corporates EUR AA 5-7 recorded on December 5th, 2022 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 | 31/12/2022 | 31/12/2021 |
|---|---|---|
| 1. Provisions for credit risk relating to financial commitments and guarantees given | 340.726 | 291.388 |
| 2. Provisions for other commitments and other guarantees given | - | - |
| 3. Provisions for pensions | - | - |
| 4. Other provisions for risks and charges | 845.041 | 851.620 |
| 4.1. legal disputes | - | - |
| 4.2. personnel expense | 845.041 | 851.620 |
| 4.3. other | - | - |
| **Total** | **1.185.767** | **1.143.008** |

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 in compliance with IFRS9; for adjustments relating to impaired positions, write-downs are analytically affixed.

The sub-caption "Personnel expense" is entirely composed of allocations 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** | **-** | **-** | **851.620** | **851.620** |
| **B. Increases** | **-** | **-** | **562.688** | **562.688** |
| B.1 Accruals | - | - | 562.688 | 562.688 |
| B.2 Changes due to passage of time | - | - | - | - |
| B.3 Changes due to variations in discount rate | - | - | - | - |
| B.4 Other increases | - | - | - | - |
| **C. Decreases** | **-** | **-** | **569.267** | **569.267** |
| C.1 Utilisations | - | - | 569.267 | 569.267 |
| C.2 Changes due to variations in discount rate | - | - | - | - |
| C.3 Other decreases | - | - | - | - |
| **D. Closing balance** | **-** | **-** | **845.041** | **845.041** |

### 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 | 309.768 | 30.958 | - | - | 340.726 |
| Financial guarantees given | - | - | - | - | - |
| **Total** | **309.768** | **30.958** | **-** | | **340.726** |

## *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 | 31/12/2022 |
|---|---|
| 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, 2022 or at December 31st, 2021.

### 11.3 Equity instruments: composition

The company had not issued equity instruments either at December 31st, 2022 or at December 31st, 2021.

### 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 | Other uses |
| Share capital | 85.000.002 | - | - | - | - |
| Equity-related reserves | - | - | - | - | - |
| **Income-related reserves** | | | | | |
| Legal reserve | 13.648.346 | B | 13.648.346 | - | - |
| Share premium | 11.030.364 | A-B | 3.351.654 | - | - |
| Share premium | - | A-B-C | 7.678.710 | - | - |
| Other reserves | 143.428.610 | A-B-C | 143.754.431 | - | - |
| Retained earnings | 411.388 | A-B-C | 411.388 | - | - |
| **Total** | **253.518.710** | **-** | **168.844.529** | **-** | **-** |
| **Non-distributable portion** | **-** | **-** | **3.351.654** | **-** | **-** |
| **Remaining distributable portion** | **-** | **-** | **165.492.875** | **-** | **-** |

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

It should be highlighted 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 -300.017 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 -228.418 to the valuation of Webuild S.p.A. shares and Euro 4.215.490 relating to the reserve due to the 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, 2022 is hereby shown:

| | | |
|---|---|---|
| Net profit for the year | Euro | 23.903.433 |
| Profits from previous year | Euro | 411.388 |
| Profit to allocate | Euro | 24.314.821 |
| Of which: | | |
| 5% of the profit to Legal reserve | Euro | 1.195.172 |
| | | |
| Dividend Euro 0,19 to each of the n. 85.000.0002 shares outstanding | Euro | 16.150.000 |
| Profits to Extraordinary reserve | Euro | 6.798.409 |
| Retained profits | Euro | 171.240 |

### 11.6 Composition of caption 160 “Valuation reserves”

The caption shows a negative balance for Euro -497.061 of which:

- Euro -300.017 referred to actuarial gains/losses relating post-employment benefits;
- Euro -197.044 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 | | | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|---|---|
| | First stage | Second stage | Third stage | Impaired acquired or originated | | |
| **1. Commitments to grant funds** | **432.952.716** | **49.650.769** | **-** | **-** | **482.603.485** | **382.430.021** |
| a) Public administrations | 2.933.828 | - | - | - | 2.933.828 | 4.781.894 |
| b) Banks | 59.150 | - | - | - | 59.150 | 260.006 |
| c) Other financial institutions | 240.160 | - | - | - | 240.160 | 9.217.996 |
| d) Non-financial institutions | 428.274.361 | 49.650.769 | - | - | 477.925.130 | 366.525.355 |
| e) Households | 1.445.217 | - | - | - | 1.445.217 | 1.644.770 |
| **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 | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|---|
| 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: | - | 33.205.506 | - | 33.205.506 | 16.930.741 |
| 3.1 with banks | - | 4.785 | - | 4.785 | 21.807 |
| 3.2 with financial institutions | - | 7.506.491 | - | 7.506.491 | 2.532.196 |
| 3.3 with customers | - | 25.694.230 | - | 25.694.230 | 14.376.738 |
| 4. Hedging derivatives | - | - | - | - | - |
| 5. Other assets | - | - | 701 | 701 | 779 |
| 6. Financial liabilities | - | - | - | - | - |
| **Total** | **-** | **33.205.506** | **701** | **33.206.207** | **16.931.520** |
| Of which: interest income on impaired financial assets | - | **140.537** | - | **140.537** | **86.999** |
| 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 2.120.269 (Euro 1.475.333 in 2021).

### 1.3 Interest and similar expense: composition

| Captions/Descriptions | Financing | Securities | Other transactions | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|---|
| 1. Financial liabilities measured at amortised cost | | | | | |
| 1.1 Due to banks | (5.813.560) | - | - | (5.813.560) | (577.265) |
| 1.2 Due to financial institutions | - | - | - | - | (1) |
| 1.3 Due to customers | (172.131) | - | - | (172.131) | (66.107) |
| 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** | **(5.985.691)** | - | **-** | **(5.985.691)** | **(643.373)** |
| of which: interest expenses related to lease financing | **(180.983)** | - | **-** | **(180.983)** | **(76.828)** |

## 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 | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **A. Financial leasing** | **-** | **-** |
| **B. Factoring** | **26.872.601** | **22.883.176** |
| **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** | **3.068.414** | **2.461.124** |
| **Total** | **29.941.015** | **25.344.300** |

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 2022, Euro 5.947.836 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 | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **A. Guarantees received** | **(1.093.054)** | **(736.054)** |
| **B. Distribution of third-party services** | **-** | **-** |
| **C. Collection and payment services** | **-** | **-** |
| **D. Other fee and commissions** | **(3.150.944)** | **(2.714.512)** |
| d.1 dealings with banks | (108.973) | (188.633) |
| d.2 brokerage activities | (2.144.884) | (1.677.984) |
| d.3 credit insurance premiums | (630.000) | (655.909) |
| d.4 other | (267.087) | (191.986) |
| **Total** | **(4.243.998)** | **(3.450.566)** |

As per item 40, fee and commission expense based on one-off fee and commission income are treated similarly. At 31 December 2022 the stated amount was Euro 182.588.

## Section 3 *Dividends and similar income*

The accounts relating to captions 70 are illustrated in this section.

### 3.1 Dividends and similar income: composition

| Caption/Income | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| | Dividends | Similar income | Dividends | Similar income |
| A. Assets held for trading | - | - | - | - |
| B. Other assets mandatorily masured at fv | - | - | - | - |
| C. Other assets measured at fair value through OCI | 29.126 | - | - | - |
| D. Shares | - | - | - | - |
| **Total** | **29.126** | - | - | - |

## 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** | - | - | - | - | **28.152** |
| **4. Hedging instruments** | - | - | - | - | - |
| 4.1 Financial derivatives | - | - | - | - | - |
| 4.2 Credit derivatives of which: natural hedges with the fair value option | - | - | - | - | - |
| **Total** | - | - | - | - | **28.152** |

## 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

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

| Operations/Income components | Value Adjustments | | | | | | Reversal of impairment | | | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **(3.363)** | **-** | **-** | **-** | **-** | **-** | **668** | **-** | **-** | **-** | **(2.695)** | **316.206** |
| – leases | - | - | - | - | - | - | - | - | - | - | - | - |
| – factoring | (3.363) | - | - | - | - | - | 668 | - | - | - | (2.695) | (628) |
| – other | - | - | - | - | - | - | | - | - | - | - | 316.834 |
| **B. Loans and receivables with financial institutions** | **(152.517)** | **(6.882)** | **-** | **-** | **-** | **-** | **292.142** | **6.882** | **-** | **-** | **139.625** | **(214.571)** |
| – leases | - | - | - | - | - | - | - | - | - | - | - | - |
| – factoring | (152.517) | (6.882) | - | - | - | - | 284.512 | 6.882 | - | - | 131.995 | (193.449) |
| – other | - | - | - | - | - | - | 7.630 | - | - | - | 7.630 | (21.122) |
| **C. Loans and receivables with customers** | **(3.362.378)** | **(165.816)** | **-** | **(1.142.497)** | **-** | **-** | **3.468.432** | **224.023** | **1.638.816** | **-** | **660.580** | **4.158.799** |
| – leases | - | - | - | - | - | - | - | - | - | - | - | - |
| – factoring | (3.047.803) | (158.759) | - | (1.138.358) | - | - | 3.196.980 | 108.824 | 1.335.456 | - | 296.340 | 3.654.716 |
| – consumer credit | - | - | - | - | - | - | - | - | - | - | - | - |
| – pawn loans | - | - | - | - | - | - | - | - | - | - | - | - |
| – other | (314.575) | (7.057) | - | (4.139) | - | - | 271.452 | 115.199 | 303.360 | - | 364.240 | 504.083 |
| **Total** | **(3.518.258)** | **(172.698)** | **-** | **(1.142.497)** | **-** | **-** | **3.761.242** | **230.905** | **1.638.816** | **-** | **797.510** | **4.260.434** |

The deviation of the value from the previous year is due to the lower rebounds, inherent to the third stage, recorded in the current year despite of the use, from September 2022, of a management overlay to ensure full compliance of the final level of collective write-downs with the actual - current and prospective - risk level of counterparties in their portfolio, considering the particular macroeconomic and geopolitical context that has arisen.

## Section 10 *Administrative expeses*

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

### 10.1 Administrative expenses: composition

| Breakdown | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Employees** | **(13.049.746)** | **(13.164.611)** |
| a) Wages and salaries | (9.085.401) | (9.174.196) |
| b) Social security contributions | (2.535.992) | (2.674.632) |
| c) Post-employment benefits | - | - |
| d) Pension costs | - | - |
| e) Accrual for post-employment benefits | (3.795) | 46 |
| f) Accrual for pension and similar provisions: | - | - |
| - defined contribution plans | - | - |
| - defined benefit plans | - | - |
| g) Payments to external supplementary pension: | (779.615) | (791.805) |
| - defined contribution plans | (779.615) | (791.805) |
| - defined benefit plans | - | - |
| h) Other costs | (644.943) | (524.024) |
| **2. Other personnel** | **(51.491)** | **(70.446)** |
| **3. Directors and statutory auditors** | **(287.774)** | **(330.438)** |
| **4. Retired personnel** | **-** | **-** |
| **5. Cost recoveries for personnel seconded to other companies** | **941.402** | **490.763** |
| **6. Cost reimbursements for personnel seconded to the company** | **-** | **-** |
| **Total** | **(12.447.609)** | **(13.074.732)** |

### 10.2 Average number of employees by category

| Breakdown | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| | Average | Exact | Average | Exact |
| **Employees** | **154** | **156** | **156** | **154** |
| a) Managers | 4 | 4 | 4 | 4 |
| b) Junior managers | 75 | 76 | 78 | 76 |
| Of which 3rd e 4th level | 43 | 43 | 43 | 42 |
| c) Other employees | 75 | 76 | 74 | 74 |
| **Other personnel** | **2** | **3** | **3** | **3** |

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

### 10.3 Other administrative expenses: composition

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Building costs: | (281.419) | (119.089) |
| - leases and maintenance | (256.620) | (102.220) |
| - utilities | (24.799) | (16.869) |
| Indirect taxes and duties | (1.109.663) | (1.189.043) |
| Postal, telephone, printing and other office expenses | (192.670) | (198.800) |
| Maintenance and charges for furniture, equipment and systems | (469.638) | (488.540) |
| Professional services and consultancy | (586.035) | (700.779) |
| Legal fees | (373.192) | (547.557) |
| Advertising, entertainment and gifts | (50.771) | (24.722) |
| Insurance premiums | (53.418) | (51.959) |
| Trasport, rentals and business trips | (357.536) | (312.399) |
| Outsourcing | (809.370) | (787.242) |
| Data registration by third parties | (83.627) | (113.168) |
| Membership fees | (73.223) | (69.486) |
| Outsourcing within Group | (520.000) | (50.000) |
| Outsourcing outside the Group | (56.566) | (65.904) |
| Other | (266.319) | (305.242) |
| **Total** | **(5.283.447)** | **(5.023.930)** |

## *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 | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|
| **Net accruals for credit risk inherent commitments to grant funds and given financial guarantees** | (52.584) | 3.246 | (49.338) | 244.855 |

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 | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|
| **Net accruals to other provisions for risks and charges: composition** | **-** | **-** | **-** | **(114.357)** |
| a) legal disputes | - | - | - | (114.357) |
| 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 | (1.285.911) | - | - | (1.285.911) |
| - Owned | (62.222) | - | - | (62.222) |
| - Rights of use under leasing | (1.223.689) | - | - | (1.223.689) |
| A.2 Held for investment purposes | - | - | - | - |
| - Owned | - | - | - | - |
| - Rights of use under leasing | - | - | - | - |
| A.3 Surplus | - | - | - | - |
| **Total** | **(1.285.911)** | **-** | **-** | **(1.285.911)** |

## 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** | **(140.640)** | **(156.744)** | **-** | **(297.384)** |
| Of which: software | - | - | - | - |
| 1.1 owned | (140.640) | (156.744) | - | (297.384) |
| 1.2 under finance lease | - | - | - | - |
| **2. Assets under finance lease** | - | - | - | - |
| **3. Assets under operating lease** | - | - | - | - |
| **Total** | **(140.640)** | **(156.744)** | **-** | **(297.384)** |

During the year, as required by IAS 36, the remaing amount was entirely written-off since the future economic benefits will cease.

## Section 14 *Other operating income*

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

### 14.1 Other operating expense: composition

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| - contingent liabilities | (33.426) | (59.646) |
| - decreases in fixed assets generated internally | - | (127.487) |
| - other | (490) | (58.291) |
| **Total** | **(33.916)** | **(245.424)** |

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 and that were entirely impaired during the previous year.

### 14.2 Other operating income: composition

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| - recovery of taxes | 121.086 | 128.406 |
| - recovery of costs | 31.634 | 208.616 |
| - income for IT services rendered | 259.180 | 233.982 |
| - others | 485.607 | 304.008 |
| **Total** | **897.507** | **875.012** |

The sub-caption "others" includes the revenues referred to factoring transactions and other disposals for Euro 54.040.

## 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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Buildings** | **-** | **-** |
| 1.1 Gains | - | - |
| 1.2 Losses | - | - |
| **2. Other assets** | **8.017** | **21.526** |
| 2.1 Gains | 8.088 | 21.733 |
| 2.2 Losses | (71) | (207) |
| **Net result** | **8.017** | **21.526** |

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 Holding 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 has been exercised by the holding and the following companies, wich meet the requirements of the above-mentioned legislation, 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

| | **31/12/2022** | **31/12/2021** |
|---|---|---|
| 1. Current taxes (-) | (9.185.347) | (3.896.935) |
| 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 (+/-) | (2.191.487) | (3.429.530) |
| 5. Change in deferred tax liabilities (+/-) | 27 | 234 |
| **6. Tax expenses for the year** | **(11.376.807)** | **(7.326.231)** |

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

### 19.2 Reconciliation between the theoretical and effective tax expense

| **Income before taxes** | **35.280.240** |
|---|---|
| IRES | |
| Theoretical tax expense | 9.702.066 |
| Dividends | -7.609 |
| Irap deductibility 10 % and cost of work (-) | -4.730 |
| ACE – Aiuto alla crescita economica | -352.349 |
| Other changes (+/-) | 62.716 |
| **TOTAL IRES** | **9.400.094** |
| IRAP | |
| Theoretical tax expense | 1.965.109 |
| Dividends | -811 |
| Personnel expenses | 19.520 |
| Administrative expenses | 29.429 |
| Ammortization of tangigle/intangible assets | 8.819 |
| Other expenses/income | -45.353 |
| **TOTAL IRAP** | **1.976.713** |
| **TOTAL TAXES** | **11.376.807** |

## Section 21 *Income Statement: Other Information*

### 21.1 Breakdown of interest and commission income

| Voci/controparte | Interest income | | | Commission income | | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|---|---|---|---|---|
| | Banks | Finanical Institutions | Customers | Banks | Finanical Institutions | Customers | | |
| **1. Financial leases** | - | - | - | - | - | - | - | - |
| - Real estate | - | - | - | - | - | - | - | - |
| - Moveable property | - | - | - | - | - | - | - | - |
| - Operating assets | - | - | - | - | - | - | - | - |
| - Intangible assets | - | - | - | - | - | - | - | - |
| **2. Factoring** | - | **7.506.491** | **25.694.229** | **11.873** | **3.772.830** | **26.156.312** | **63.141.735** | **42.268.073** |
| - Current accounts | - | 7.035.338 | 18.486.440 | 13 | 3.037.480 | 23.164.216 | 51.723.487 | 34.938.648 |
| - Future loans and receivables | - | 21.092 | 1.234.242 | - | 6.460 | 664.432 | 1.926.226 | 1.191.909 |
| - Loans and receivables purchased outright | - | - | - | - | - | - | - | - |
| - loans and receivables purchased for less than their original value | - | - | - | - | - | - | - | - |
| - other financing | - | 450.061 | 5.973.547 | 11.860 | 728.890 | 2.327.664 | 9.492.022 | 6.137.516 |
| **3. Consumer credit** | - | - | - | - | - | - | - | - |
| - personal loans | - | - | - | - | - | - | - | - |
| - special purpose loans | - | - | - | - | - | - | - | - |
| - salary backed loans | - | - | - | - | - | - | - | - |
| **4. Pawn loans** | - | - | - | - | - | - | - | - |
| **5. Guarantees and commitments** | - | - | - | - | - | - | - | - |
| - commercial | - | - | - | - | - | - | - | - |
| - financial | - | - | - | - | - | - | - | - |
| **Total** | - | **7.506.491** | **25.694.229** | **11.873** | **3.772.830** | **26.156.312** | **63.141.735** | **42.268.073** |

### 21.2 Other information

Breakdown of interest and similar expense.

| Breakdown | Amount |
|---|---:|
| Checking account overdrafts | (150.927) |
| Advances under reserve | (11.201) |
| Hot money | (4.469.085) |
| Foreign currency advances | (1.173.495) |
| Interests related to lease liabilities | (180.983) |
| **Total** | **(5.985.691)** |

# 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 | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | Gross amount | Impairment losses | Net value | Gross amount | Impairment losses | Net value |
| **1. Performing assets** | **3.285.180.838** | **3.334.039** | **3.281.846.799** | **2.740.265.186** | **3.562.581** | **2.736.702.605** |
| - exposures to assignors (with recourse) | 1.806.546.209 | 1.733.349 | 1.804.812.860 | 1.674.177.624 | 2.557.490 | 1.671.620.134 |
| - future loans and receivables | 84.623.560 | 233.613 | 84.389.947 | 48.535.792 | 102.991 | 48.432.801 |
| - other | 1.721.922.649 | 1.499.736 | 1.720.422.913 | 1.625.641.832 | 2.454.499 | 1.623.187.333 |
| - exposures to assigned debtors (without recourse) | 1.478.634.629 | 1.600.690 | 1.477.033.939 | 1.066.087.562 | 1.005.091 | 1.065.082.471 |
| - purchased for less that their nominal amount | - | - | - | - | - | - |
| - other | 1.478.634.629 | 1.600.690 | 1.477.033.939 | 1.066.087.562 | 1.005.091 | 1.065.082.471 |
| **2. Impaired assets** | **7.389.499** | **6.391.114** | **998.385** | **9.340.625** | **8.164.319** | **1.176.306** |
| **2.1 Bad loans exposures** | **5.004.781** | **4.956.031** | **48.750** | **5.554.173** | **5.453.093** | **101.080** |
| - exposures to assignors (with recourse) | 3.521.509 | 3.472.759 | 48.750 | 4.429.974 | 4.328.894 | 101.080 |
| - future loans and receivables | 268.889 | 268.889 | - | 349.834 | 344.116 | 5.718 |
| - other | 3.252.620 | 3.203.870 | 48.750 | 4.080.140 | 3.984.778 | 95.362 |
| - exposures to assigned debtors (without recourse) | 1.483.272 | 1.483.272 | - | 1.124.199 | 1.124.199 | - |
| - purchased for less that their nominal amount | - | - | - | - | - | - |
| - other | 1.483.272 | 1.483.272 | - | 1.124.199 | 1.124.199 | - |
| **2.2 Unlikely-to-pay exposures** | **2.379.309** | **1.434.596** | **944.713** | **3.785.032** | **2.711.098** | **1.073.934** |
| - exposures to assignors (with recourse) | 1.684.236 | 746.748 | 937.488 | 1.884.925 | 960.259 | 924.666 |
| - future loans and receivables | 17.695 | 4.362 | 13.333 | 1.384.736 | 644.875 | 739.861 |
| - other | 1.666.541 | 742.386 | 924.155 | 500.189 | 315.384 | 184.805 |
| - exposures to assigned debtors (without recourse) | 695.073 | 687.848 | 7.225 | 1.900.107 | 1.750.839 | 149.268 |
| - purchased for less that their nominal amount | - | - | - | - | - | - |
| - other | 695.073 | 687.848 | 7.225 | 1.900.107 | 1.750.839 | 149.268 |
| **2.3 Impaired past due exposures** | **5.409** | **487** | **4.922** | **1.420** | **128** | **1.292** |
| - exposures to assignors (with recourse) | - | - | - | - | - | - |
| - future loans and receivables | - | - | - | - | - | - |
| - other | - | - | - | - | - | - |
| - exposures to assigned debtors (without recourse) | 5.409 | 487 | 4.922 | 1.420 | 128 | 1.292 |
| - purchased for less that their nominal amount | - | - | - | - | - | - |
| - other | 5.409 | 487 | 4.922 | 1.420 | 128 | 1.292 |
| **Total** | **3.292.570.337** | **9.725.153** | **3.282.845.184** | **2.749.605.811** | **11.726.900** | **2.737.878.911** |

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.

| Captions/Amounts | 31/12/2022 | | | 31/12/2021 | | |
|---|---|---|---|---|---|---|
| | Gross amount | Impairment losses | Net value | Gross amount | Impairment losses | Net value |
| 1. Performing assets | 70.148.963 | 161.702 | 69.987.261 | 104.879.341 | 263.262 | 104.616.079 |
| 2. Impaired assets | 57.857 | 43.787 | 14.070 | 87.557 | 52.729 | 34.828 |
| 2.1 Bad loans | 36.257 | 36.257 | - | 36.257 | 36.257 | - |
| 2.2 Unlikely-to-pay exposure | 21.600 | 7.530 | 14.070 | 51.300 | 16.472 | 34.828 |
| 2.3 Impaired past due exposures | - | - | - | - | - | - |
| **Total** | **70.206.820** | **205.489** | **70.001.331** | **104.966.898** | **315.991** | **104.650.907** |

## 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 | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| | Advances | Outstanding | Advances | Outstanding |
| - on demand | 253.522.432 | 362.775.976 | 160.637.143 | 293.444.717 |
| - up to 3 months | 1.233.714.717 | 1.572.635.430 | 1.260.222.276 | 1.557.062.852 |
| - from 3 to 6 months | 201.609.328 | 296.306.761 | 183.527.986 | 282.094.504 |
| - from 6 months to 1 year | 63.370.886 | 98.098.705 | 54.894.138 | 96.974.092 |
| - after 1 year | 53.581.735 | 19.784.344 | 13.364.337 | 5.822.591 |
| - open item | - | - | - | - |
| **Total** | **1.805.799.098** | **2.349.601.216** | **1.672.645.880** | **2.235.398.756** |

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 2022 amounts to Euro 34.736.050.

### B.2.2 – Factoring transactions without recourse: exposures

| By maturity | Exposures | |
|---|---|---|
| | 31/12/2022 | 31/12/2021 |
| - on demand | 117.676.453 | 16.512.464 |
| - up to 3 months | 936.314.106 | 773.533.364 |
| - from 3 to 6 months | 100.519.846 | 87.585.495 |
| - from 6 months to 1 year | 134.583.347 | 64.076.089 |
| - after 1 year | 187.952.334 | 117.525.619 |
| - open item | - | - |
| **Total** | **1.477.046.086** | **1.065.233.031** |

.

The table shows the carrying amount of exposures purchased for factoring without recourse and loans and receivables purchased at other than their nominal amount, broken down by residual maturity bracket. At the same time, it 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 2022 amounts to Euro 39.140.748.

### B.3 – Other information

#### B.3.1 – Turnover of receivables subject to factoring operations

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Transactions without recourse** | 7.261.331.569 | 4.405.491.673 |
| - including purchased for less than their nominal amount | - | - |
| **2. Transactions with recourse** | 11.124.022.246 | 10.568.937.842 |
| **Total** | **18.385.353.815** | **14.974.429.515** |

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".

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| - Without recourse | 10.051.853 | 198.021.808 |
| - With recourse | 239.745.557 | 106.513.805 |
| **Total** | **249.797.410** | **304.535.613** |

#### B.3.2 – Collection services

The company did not perform collection only services in 2022 and 2021.

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| - Contracts to purchase future loans and receivables during the year | 649.153.332 | 388.448.808 |
| - Loans and receivables at the reporting date | 369.264.234 | 341.005.679 |

## D. – GUARANTEES GIVEN AND COMMITMENTS

### D.1 – BREAKDOWN OF GUARANTEES GIVEN AND COMMITMENTS

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **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** | **360.485.647** | **347.171.874** |
| a) Banks | 59.151 | 260.006 |
| i) certain use | - | - |
| ii) uncertain use | 59.151 | 260.006 |
| b) Financial Institutions | 240.153 | 9.205.659 |
| i) certain use | 129 | 9.059.005 |
| ii) uncertain use | 240.024 | 146.654 |
| c) Customers | 360.186.343 | 337.706.209 |
| i) certain use | 43.831.013 | 69.886.242 |
| ii) uncertain use | 316.355.330 | 267.819.967 |
| **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** | **360.485.647** | **347.171.874** |

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 316.654.505 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 the assignment without recourse and with recourse of trading assets.
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 subjects.
At this purpose, an aspect to consider is the intensity of the dealing 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 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 in return of 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) <u>Main risk factors</u>**

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 hinder the occurrence of the above risks, whose appearance 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 performed make it possible to assess the risk profile of 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 elements, 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, representing 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 assessed by the collection and analysis of information useful to establish the rating of the counterparties falling into the AIRB perimeter;
- the characteristics of the loans sold;
- the solvency of the transferred debtors;
- the collection of information to evaluate the appropriateness of the counterparty to the credit policies;
- 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;
- operation's profitability;
- 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. The overall powers and responsibilities structure as well as the deliberative mechanisms implemented by Factorit is regulated within the internal regulatory framework "Delegation System" approved by the Board of Directors.
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 credit monitoring functions that also make use of automatic systems of risk indicators;
- on the initiative of the organizational unit that manages the report.

**Monitoring**

Credit risk monitoring is observed in all the management phases that characterize the credit relationship and, in particular, through an effective monitoring process aimed at formulating by the management Services and the receivables Service timely assessments regarding any anomalies and critical issues.
Continuous monitoring of risk positions makes it possible to detect any signs of a deterioration in creditworthiness with a view to ensuring that the quality of the portfolio is maintained.
The 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 phase of identification of customers presenting a potential aggravation of risk can then be activated:
1. on a proposal from the Commercial function, the Debtor Management Office the Credit Service or the Anti-Money Laundering Function;
2. at the occurrence of specific presumptive events related to possible aggravation of the riskiness of the position.

The Commercial function or the Debtors Management Office, if elements that may foreshadow a situation of possible aggravation of the risk are identified (even without explicit elements of anomaly), are required to propose the classification of the position to the Commitee W1 and W2 e, in cases of major and significant signals, to propose the transfer of the counterparty’s management to the Office for Debt Collection and Litigation. A similar activity can be carried out by the Credit Department during the revision of the report

The positions that are characterized by a significant risk are subjected to appropriate analysis by the relevant functions (Receivables Service, Management Services and Monitoring of Credit Risks Office) and, if concrete signs of criticality are found, Legal and Litigation Service, in accordance to Monitoring of Credit Risks Office decides, because of their seriousness, to put them under observation or classify them among the “impaired counterparties”.

## c) <u>Measurement method of expected losses</u>

***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;
- LGD (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*

Even during the current year, ongoing risk control actions have continued despite the effects of the Covid-19 pandemic have reduced. Few were requests for moratoriums from the Sellers.
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 this regard it is worth to mention how, from September 2022, the company uses a *management overlay*[1] aimed at ensuring that the final level of collective write-downs fully reflects the actual level of risk – current and prospective – of counterparties in their portfolio, in the light of the particular macroeconomic and geopolitical context to be determined. The effect on value adjustments was around Euro 1.4 million.

[1] They consist of a set of multiplicative coefficients applied to the model-based devaluation values of the single positions, adjusted based on of the evolutionary dynamics of geosectoral risk indicators.

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[2] 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.
However, the rise of the Russian-Ukrainian conflict and the severe international diplomatic escalation which has occurred since the end of February, as well as the significant and pervasive repercussions of the above on the macro-economic and financial international context, have caused the need for the Company to review, in a prudential perspective, the parameters of the scenarios used for the calculation of its credit portfolio's write-down in accordance with IFRS 9. From that date, in fact, the "favourable" scenario was replaced by the "extreme adverse" scenario. 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 2022, in accordance with the Parent company, 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 60% 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 35% is attributed;
- a **(extreme) 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 5% 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

[2] 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.

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**

| Macroeconomic variables | Scen. base Dic. 2022 | | | Scen. avv. Dic. 2022 | | | Scen. fav. Dic. 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 |
| GDP Italy (% on an annual basis) | 0,3% | 1,1% | 1,3% | -0,9% | 0,5% | 1,0% | -2,5% | 0,0% | 0,7% |
| Unemployement Italy | 8,4% | 8,3% | 8,3% | 8,7% | 9,3% | 9,8% | 9,3% | 10,7% | 12,1% |
| Inflation Italy (% on an annual basis) | 5,1% | 1,8% | 1,5% | 4,9% | 1,9% | 1,3% | 5,9% | 2,2% | 0,9% |

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 [3], to carry out specific sensitivity analysis on the level of impairment of its performing exposures, the results of which are summarized in the tables below.
In particular, **Table 2** indicates**,** divided by macro-segment 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.

[3] See for example the paper ESMA32 -63 - 791 of 22 October 2019.

**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 [€/1.000] | Adverse Scenario [€/1.000] | Extreme Scenario [€/1.000] | Weighted Scenario [€/1.000] |
|---|---|---|---|---|---|
| Health care | Stage 01 | 0,0 | 0,0 | 0,0 | 0,0 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Total** | **0,0** | **0,0** | **0,0** | **0,0** |
| Not expected | Stage 01 | 443,6 | 485,1 | 530,1 | 462,5 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Total** | **443,6** | **485,1** | **530,1** | **462,5** |
| Trade | Stage 01 | 512,7 | 549,7 | 589,0 | 529,5 |
| | Stage 02 | 34.9 | 36,8 | 38,9 | 35,7 |
| | **Total** | **547,6** | **586,5** | **627,9** | **565,2** |
| Agricolture / Industry / Service | Stage 01 | 2.276,1 | 2.340,3 | 2.407,3 | 2.305,2 |
| | Stage 02 | 74,2 | 76,0 | 77,9 | 75,0 |
| | **Total** | **2.350,3** | **2.416,3** | **2.485,2** | **2.380,2** |
| Construction | Stage 01 | 617,2 | 645,0 | 674,3 | 629,7 |
| | Stage 02 | 0,1 | 0,1 | 0,1 | 0,1 |
| | **Total** | **617,3** | **645,1** | **674,4** | **629,8** |
| Central Administration | Stage 01 | 0,0 | 0,0 | 0,0 | 0,0 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Total** | **0,0** | **0,0** | **0,0** | **0,0** |
| Granted PopSo | Stage 01 | 0,0 | 0,0 | 0,0 | 0,0 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Total** | **0,0** | **0,0** | **0,0** | **0,0** |
| **Total** | Stage 01 | 3.849,5 | 4.020,0 | 4.200,7 | 3.926,7 |
| | Stage 02 | 109,3 | 113,0 | 116,9 | 111,0 |
| | **Total** | **3.958,8** | **4.133,0** | **4.317,6** | **4.037,7** |

Dually, Table 3 shows the value of the write-downs that would be obtained in correspondence with four different choices of probabilistic coefficients compared to the official one adopted.

**Table 3 - Write-downs (in € / thousands) at December 31st 2022 for the performing positions of the Company's loan portfolio associated with different weightings of the macroeconomic**

| Management Macrosegment | Stage | Scen. weighted . 1 [€/1.000] | Scen. weighted . 2 [€/1.000] | Scen. weighted . 3 [€/1.000] | Scen. weighted . 4 [€/1.000] |
|---|---|---|---|---|---|
| Health care | Stage 01 | 0,0 | 0,0 | 0,0 | 0,0 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Totale** | **0,0** | **0,0** | **0,0** | **0,0** |
| Not expected | Stage 01 | 458,5 | 458,1 | 469,0 | 458,4 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Totale** | **458,5** | **458,1** | **469,0** | **458,4** |
| Trade | Stage 01 | 525,9 | 525,7 | 535,3 | 525,7 |
| | Stage 02 | 35,6 | 35,5 | 36,0 | 35,6 |
| | **Totale** | **561,5** | **561,2** | **571,3** | **561,3** |
| Agriculture / Industry / Service | Stage 01 | 2.298,8 | 2.298,6 | 2.315,1 | 2.298,7 |
| | Stage 02 | 74,9 | 74,9 | 75,3 | 74,9 |
| | **Totale** | **2.373,7** | **2.373,5** | **2.390,4** | **2.373,6** |
| Construction | Stage 01 | 627,0 | 626,8 | 634,0 | 626,9 |
| | Stage 02 | 0,1 | 0,1 | 0,1 | 0.1 |
| | **Totale** | **627,1** | **626,9** | **634,1** | **627,0** |
| Central Admnistration | Stage 01 | 0,0 | 0,0 | 0,0 | 0,0 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Totale** | **0,0** | **0,0** | **0,0** | **0,0** |
| Granted PopSo | Stage 01 | 0,0 | 0,0 | 0,0 | 0,0 |
| | Stage 02 | 0,0 | 0,0 | 0,0 | 0,0 |
| | **Totale** | **0,0** | **0,0** | **0,0** | **0,0** |
| **Totale** | Stage 01 | 3.910,2 | 3.909,2 | 3.953,3 | 3.909,7 |
| | Stage 02 | 110,6 | 110,5 | 111,5 | 110,6 |
| | **Totale** | **4.020,8** | **4.019,7** | **4.064,8** | **4.020,3** |

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, 2022, the expected losses on impaired loans are determined analytically on the basis of recovery forecasts, discounted according to the original effective interest rates and the related recovery timeframe. Considering that the recovery forecasts refer to the specific situation of the debtor, it is considered not significant to provide a reasonable sensitivity analysis of the expected losses.

**d) Credit risk mitigation techniques**

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

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

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

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

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

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

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

*Supervisory expectations of climate and environmental risks:*

Through Communication Prot. 0582630/22 dated 07/04/2022, "Supervisory Expectations on Climate and Environmental Risks," Bank of Italy required financial intermediaries to integrate climate and environmental risks into business strategies, governance and control systems and risk management frameworks. By subsequent Communication Prot. 1940148/22 dated 12/28/2022, Bank of Italy provided an assessment of the critical issues that resulted from a survey aimed at appreciating the level of integration of climate and environmental risks into management paradigms, soliciting the non-banking intermediary sector to prepare an "Action Plan" by 03/31/2023.

As a result of the above, the Company has prepared the "Action Plan" where it has identified the specific actions that it is going to implement in order to fill the identified gaps and consequently assign the priorities and timeframes necessary for the completion of the respective initiatives in consideration of the intensity of exposure to risks and according to the size and complexity of the company's operations.

## 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 | 48.751 | 958.782 | 4.922 | 42.964.914 | 3.488.016.000 | 3.531.993.369 |
| 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 | - | - | - | - | - | - |
| **31/12/2022** | **48.751** | **958.782** | **4.922** | **42.964.914** | **3.488.016.000** | **3.531.993.369** |
| **31/12/2021** | **101.080** | **1.108.761** | **1.472** | **76.001.127** | **2.848.527.707** | **2.925.740.147** |

## 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) |
|---|---|---|---|---|---|---|---|---|
| | | Total impairment losses | Net exposure | | Gross Amount | Total partial Write-off | Net exposure | Net exposure |
| 1. Financial assets measured at amortised cost | 10.724.303 | 9.711.848 | 1.012.455 | 32.472.412 | 3.534.665.637 | 3.684.723 | 3.530.980.914 | 3.531.993.369 |
| 2. Financial assets measured at fair value through OCI | - | - | - | - | - | - | - | - |
| 3. Financial assets measure at fair value | - | - | - | - | - | - | - | - |
| 4. Other financial assets mandatorily valued at fair value | - | - | - | - | - | - | - | - |
| 5. Financial assets available for sale | - | - | - | - | - | - | - | - |
| **Total 31/12/2022** | **10.724.303** | **9.711.848** | **1.012.455** | **32.472.412** | **3.534.665.637** | **3.684.723** | **3.530.980.914** | **3.531.993.369** |
| **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** |

| Portfolio/quality | Assets with poor credit quality | Other assets | Total |
|---|---|---|---|
| 1. Financial assets held for trading | - | - | - |
| 2. Hedging derivatives | - | - | - |
| **31/12/2022** | **-** | **-** | **-** |
| **31/12/2021** | **-** | **-** | **-** |

## 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 | 38.797.520 | - | - | 24.217 | 4.143.177 | - | 25.563 | 148.644 | 122.977 | - | - | - |
| 2. Financial assets measured at fair value through OCI | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Financial assets in the process of being disposed of | - | - | - | - | - | - | - | - | - | - | - | - |
| **31/12/2022** | **38.797.520** | **-** | **-** | **24.217** | **4.143.177** | **-** | **25.563** | **148.644** | **122.977** | **-** | **-** | **-** |
| **31/12/2021** | **71.981.929** | **-** | **-** | **3.228.377** | **790.688** | **133** | **-** | **23.667** | **290.109** | **-** | **-** | **-** |

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

| 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 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 | Receivables from banks and central banks on demand Financial assets valued at amortised cost | 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 | Receivables from banks and central banks on demand Financial assets valued at amortised cost | 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 |
| **Overall initial adjustments** | **-** | **3.755.964** | **-** | **-** | **-** | **3.755.964** | **-** | **216.217** | **-** | **-** | **-** | **216.217** | **-** | **11.491.469** | **-** | **-** | **11.491.469** | **-** |
| Changes from purchased or originated credit impaired financial assets (+) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cancellations different from write-off | - | -3.420.516 | - | - | - | -3.420.516 | - | -9.836 | - | - | - | -9.836 | - | -1.343.034 | - | - | -1.343.034 | - |
| Net impairment losses for credit risk (+/-) | - | 3.191.265 | - | - | - | 3.191.265 | - | -48.371 | - | - | - | -48.371 | - | 1.126.834 | - | - | 1.126.834 | - |
| Contractual variances without cancellation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Changes in the estimation methodology | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Write-off | - | - | - | - | - | - | - | - | - | - | - | - | - | -1.563.421 | - | - | -1.563.421 | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Overall closing adjustments** | **-** | **3.526.713** | **-** | **-** | **-** | **3.526.713** | **-** | **158.010** | **-** | **-** | **-** | **158.010** | **-** | **9.711.848** | **-** | **-** | **9.711.848** | **-** |
| Recoveries from collection of financial assets subject to write-off | - | - | - | - | - | - | - | - | - | - | - | - | - | **280.119** | - | - | **280.119** | - |
| 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** | - | - | - | - | - | **277.989** | **10.153** | **3.246** | - | **15.755.038** |
| Changes from purchased or originated credit impaired financial assets (+) | - | - | - | - | - | - | - | - | - | - |
| Cancellations different from write-off | - | - | - | - | - | - | - | - | - | **-4.773.386** |
| Net impairment losses for credit risk (+/-) | - | - | - | - | - | 31.779 | 20.805 | -3.246 | - | **4.319.066** |
| Contractual variances without cancellation | - | - | - | - | - | - | - | - | - | - |
| Changes in the estimation methodology | - | - | - | - | - | - | - | - | - | - |
| Write-off | - | - | - | - | - | - | - | - | - | **-1.563.421** |
| Other | - | - | - | - | - | - | - | - | - | - |
| **Overall closing adjustments** | - | - | - | - | - | **309.768** | **30.958** | - | - | **13.737.297** |
| Recoveries from collection of financial assets subject to write-off | - | - | - | - | - | - | - | - | - | **280.119** |
| 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)**

| Portfolio/stage of risk | Gross value/ Nominal value | | | | | |
|---|---|---|---|---|---|---|
| | Trasfers from first to second stage | | Trasfers from second to third stage | | Transfers from first to third stage | |
| | From first to second stage | From second to first stage | From second to third stage | From third to second stage | From first to third stage | From third to first stage |
| 1. Financial assets valued at amortised cost | 48.725.122 | 64.324.695 | - | - | 1.406.790 | 44.404 |
| 2. Financial assets measured at fair value through OCI | - | - | - | - | - | - |
| 3. Financial assets being disposed of | - | - | - | - | - | - |
| 4. Commitments to provide funds and financial guarantees issued | 45.128.013 | 3.883.361 | - | - | 5 | 1 |
| **Total 31/12/2022** | **93.853.135** | **68.208.056** | **-** | **-** | **1.406.795** | **44.405** |
| **Total 31/12/2021** | **14.495.214** | **14.542.358** | **195.322** | **-** | **513.144** | **651** |

## 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 | First stage | First stage | Impaired acquisite o originate | First stage | Second stage | Third stage | Impaired acquired or originated | | |
| **A. ON BALANCE SHEET EXPOSURES** | | | | | | | | | | |
| **A.1 ON DEMAND** | **1.912.203** | - | - | - | - | - | - | - | **1.912.203** | - |
| **a) Impaired** | - | - | - | - | - | - | - | - | - | - |
| **b) Non-impaired** | **1.912.203** | - | - | - | - | - | - | - | **1.912.203** | - |
| **A.2 OTHERS** | **590.729.456** | - | - | - | **167.404** | - | - | - | **590.562.052** | - |
| 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 | 610.608 | - | - | - | 1.371 | - | - | - | 609.237 | - |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - |
| e) Other non impaired exposures | 590.118.848 | - | - | - | 166.033 | - | - | - | 589.952.815 | - |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - |
| **TOTAL A** | **592.641.659** | - | - | - | **167.404** | - | - | - | **592.474.255** | - |
| **B.OFF BALANCE SHEET EXPOSURES** | | | | | | | | | | |
| a) Impaired | - | - | - | - | - | - | - | - | - | - |
| b) Non-impaired | 299.310 | - | - | - | 228 | - | - | - | 299.082 | - |
| **TOTAL B** | **299.310** | - | - | - | **228** | - | - | - | **299.082** | - |
| **TOTAL A+B** | **592.940.969** | - | - | - | **167.632** | - | - | - | **592.773.337** | - |

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 | - | - | 5.050.724 | - | - | - | 5.001.973 | - | 48.751 | 12.367.787 |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - |
| b) Unlikely-to-pay exposures | - | - | 5.668.170 | - | - | - | 4.709.388 | - | 958.782 | 20.106.858 |
| - of which: forborne exposures | - | - | 319.361 | - | - | - | 143.642 | - | 175.719 | - |
| c) Impaired past due exposures | - | - | 5.409 | - | - | - | 487 | - | 4.922 | - |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - |
| d) Not impaired past due exposures | 38.220.533 | 4.172.860 | - | - | 32.250 | 5.466 | - | - | 42.355.677 | - |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - |
| e) Other non impaired exposures | 2.844.278.675 | 57.264.113 | - | - | 3.327.058 | 152.545 | - | - | 2.898.063.185 | 1.767 |
| - of which: forborne exposures | - | - | - | - | - | - | - | - | - | - |
| **TOTAL A** | **2.882.499.208** | **61.436.973** | **10.724.303** | | **3.359.308** | **158.011** | **9.711.848** | | **2.941.431.317** | **32.472.412** |
| **B.OFF BALANCE SHEET EXPOSURES** | | | | | | | | | | |
| a) Impaired | - | - | - | - | - | - | - | - | - | - |
| b) Non-impaired | 432.653.406 | 49.650.769 | - | - | 309.540 | 30.958 | - | - | 481.963.677 | - |
| **TOTAL B** | **432.653.406** | **49.650.769** | **-** | **-** | **309.540** | **30.958** | **-** | **-** | **481.963.677** | **-** |
| **TOTAL A+B** | **3.315.152.614** | **111.087.742** | **10.724.303** | - | **3.668.848** | **188.969** | **9.711.848** | **-** | **3.423.394.994** | **32.472.412** |

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

## 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** | **5.600.114** | **7.101.050** | **1.618** |
| - *of which*: not canceled sold exposures | - | - | - |
| **B. Increases** | **988.308** | **12.625.789** | **7.300** |
| B.1 from not-impaired exposures | 574.310 | 1.429.017 | 5.409 |
| B.2 from impaired financial assets or impaired exposure | - | - | - |
| B.3 transfers to other categories of impaired exposures | 13.479 | - | - |
| B.4 contractual variances without cancellation | - | - | - |
| B.5 other | 400.519 | 11.196.772 | 1.891 |
| **C. Decreases** | **1.537.698** | **14.058.669** | **3.509** |
| C.1 to not-impaired exposures | - | - | - |
| C.2 write-off | 410.955 | 1.152.466 | - |
| C.3 receipts | 1.126.743 | 12.888.613 | 2.089 |
| C.4 profit from disposals | - | - | - |
| C.5 losses from disposals | - | - | - |
| C.6 transfers to other categories of impaired exposures | - | 13.479 | - |
| C.7 contractual variances without cancellation | - | - | - |
| C.8 other | - | 4.111 | 1.420 |
| **D. Final gross exposure** | **5.050.724** | **5.668.170** | **5.409** |
| - *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** | **20.451** | **-** |
| - of which: not canceled sold exposures | - | - |
| **B. Increases** | **319.361** | **-** |
| B.1 from not-impaired non-forborne exposures | 319.361 | - |
| B.2 from not-impaired forborne exposures | - | - |
| B.3 from impaired forborne exposures | - | - |
| B.4 other | - | - |
| **C. Decreases** | **20.451** | **-** |
| 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 | 20.000 | - |
| C.6 profit from disposals | - | - |
| C.7 losses from disposals | - | - |
| C.8 other | 451 | - |
| **D. Final gross exposure** | **319.361** | **-** |
| - 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** | **5.499.034** | **-** | **5.992.289** | **5.437** | **146** | **-** |
| - of which: not canceled sold exposures | - | - | - | - | - | - |
| **B. Increases** | **599.396** | **-** | **556.094** | **143.642** | **487** | **-** |
| B.1 value adjustments purchased or originated credit impaired financial assets | - | - | - | - | - | - |
| B.2 other value adjustments | 585.917 | - | 556.094 | 143.642 | 487 | - |
| B.3 losses from disposals | - | - | - | - | - | - |
| B.4 transfers to other categories of impaired exposures | 13.479 | - | - | - | - | - |
| B.5 contractual variances without cancellation | - | - | - | - | - | - |
| B.6 other | | - | - | - | - | - |
| **C. Decreases** | **1.096.457** | **-** | **1.838.995** | **5.437** | **146** | **-** |
| C.1 valuation value gains | 2.112 | - | 13.424 | 451 | 128 | - |
| C.2 recovery receipts | 683.390 | - | 659.626 | 4.986 | 18 | - |
| C.3 profit from disposals | - | - | - | - | - | - |
| C.4 write-off | 410.955 | - | 1.152.466 | - | - | - |
| C.5 transfers to other categories of impaired exposures | - | - | 13.479 | - | - | - |
| C.6 contractual variances without cancellation | - | - | - | - | - | - |
| C.7 other | - | - | - | - | - | - |
| **D. Final total adjustments** | **5.001.973** | **-** | **4.709.388** | **143.642** | **487** | **-** |
| - 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 31/12/2022 |
|---|---|---|---|
| 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** | **67.099.340** | **525.134.632** | **341.491.713** | **282.887.755** | **55.961.551** | **197.373** | **2.272.617.576** | **3.545.389.940** |
| - First stage | 67.099.340 | 525.132.041 | 341.491.713 | 277.935.376 | 14.302.565 | - | 2.247.267.629 | 3.473.228.664 |
| - Second stage | - | 2.591 | - | 4.952.379 | 41.658.986 | 197.373 | 14.625.644 | 61.436.973 |
| - Third stage | - | - | - | - | - | - | 10.724.303 | 10.724.303 |
| **B. Financial assets measured at fair value through OCI** | - | - | - | - | - | - | - | - |
| - First stage | - | - | - | - | - | - | - | - |
| - Second stage | - | - | - | - | - | - | - | - |
| - Third stage | - | - | - | - | - | - | - | - |
| **Total (A + B)** | **67.099.340** | **525.134.632** | **341.491.713** | **282.887.755** | **55.961.551** | **197.373** | **2.272.617.576** | **3.545.389.940** |
| Of which: purchased or originated credit impaired financial assets | - | - | - | - | - | - | - | - |
| **C. Commitments to grant funds and financial guarantees given** | **8.316.136** | **84.469.352** | **113.178.423** | **67.388.897** | **6.468.957** | **2.195.040** | **200.586.682** | **482.603.487** |
| - First stage | 8.316.136 | 57.566.195 | 113.178.423 | 54.002.429 | 3.845.576 | - | 196.043.959 | 432.952.718 |
| - Second stage | - | 26.903.157 | - | 13.386.468 | 2.623.381 | 2.195.040 | 4.542.723 | 49.650.769 |
| - Third stage | - | - | - | - | - | - | - | - |
| **Total (C)** | **8.316.136** | **84.469.352** | **113.178.423** | **67.388.897** | **6.468.957** | **2.195.040** | **200.586.682** | **482.603.487** |
| **Total (A + B + C)** | **75.415.476** | **609.603.984** | **454.670.136** | **350.276.652** | **62.430.508** | **2.392.413** | **2.473.204.258** | **4.027.993.527** |

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 | - | - | - | - | - | - | - | 48.751 | 4.536.875 | - | - | 67.647 | - |
| *Of which: forborne exposures* | | | | | | | | | | | | | | | | | | |
| A.2 Unlikely to pay exposures | - | - | - | - | 3.311 | - | - | - | - | - | - | - | 888.720 | 4.686.011 | - | 70.062 | 20.066 | - |
| *Of which: forborne exposures* | | | | | | | | | | | | | 175.719 | 143.642 | | - | - | |
| A.3 Impaired past-due exposures | - | - | - | 4.922 | 487 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Of which: forborne exposures* | | | | | | | | | | | | | - | - | | | | |
| A.4 Other exposures | - | - | - | 275.558.951 | - | 364.036 | 12.118.348 | - | 3.363 | 580.355.907 | - | 164.041 | 2.451.365.754 | - | 3.126.325 | 213.494.157 | - | 26.958 |
| *Of which: forborne exposures* | | | | | | | | | | | | | | | | | | - |
| **Total A** | **-** | **-** | **-** | **275.563.873** | **401.249** | **364.036** | **12.118.348** | **-** | **3.363** | **580.355.907** | **-** | **164.041** | **2.452.303.225** | **9.222.886** | **3.126.325** | **213.564.219** | **87.713** | **26.958** |
| **B. Off-balance sheet exposures** | | | | | | | | | | | | | | | | | | |
| B.1 Impaired exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B.2 Other exposures | - | - | - | 2.931.581 | - | 2.248 | 59.104 | - | 47 | 239.978 | - | 181 | 477.588.246 | - | 336.882 | 1.443.850 | - | 1.368 |
| **Total B** | **-** | **-** | **-** | **2.931.581** | **-** | **2.248** | **59.104** | **-** | **47** | **239.978** | **-** | **181** | **477.588.246** | **-** | **336.882** | **1.443.850** | **-** | **1.368** |
| **Total 31/12/2022** | **-** | **-** | **-** | **278.495.454** | **401.249** | **366.284** | **12.177.452** | **-** | **3.410** | **580.595.885** | **-** | **164.222** | **2.929.891.471** | **9.222.886** | **3.463.207** | **215.008.069** | **87.713** | **28.326** |
| **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** |

## 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 | 48.751 | 4.691.734 | - | 310.239 | - | - | - | - | - | - |
| A.2 Unlikely-to-pay exposures | 958.782 | 4.686.838 | - | 22.550 | - | - | - | - | - | - |
| A.3 Impaired past-due exposures | 4.922 | 487 | - | - | - | - | - | - | - | - |
| A.4 Other exposures | 3.163.938.583 | 3.035.364 | 247.466.473 | 208.519 | 60.735.810 | 45.110 | 58.537.615 | 392.685 | 2.214.636 | 3.045 |
| **Total A** | **3.164.951.038** | **12.414.423** | **247.466.473** | **541.308** | **60.735.810** | **45.110** | **58.537.615** | **392.685** | **2.214.636** | **3.045** |
| **B. Off balance sheet exposures** | | | | | | | | | | |
| B.1 Impaired exposures | - | - | - | - | - | - | - | - | - | - |
| B.2 Other exposures | 459.036.631 | 320.834 | 22.849.866 | 19.769 | 167.272 | 63 | - | - | 208.990 | 60 |
| **Total B** | **459.036.631** | **320.834** | **22.849.866** | **19.769** | **167.272** | **63** | **-** | **-** | **208.990** | **60** |
| **Total 31/12/2022** | **3.623.987.669** | **12.735.257** | **270.316.339** | **561.077** | **60.903.082** | **45.173** | **58.537.615** | **392.685** | **2.423.626** | **3.105** |
| **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** |

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

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

| Credit quality | North West Italy | | Nord East Italy | | Centre Italy | | South Italy | | Italy's Islands | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Total impairment | Net exposure | Total impairment | Net exposure | Total impairment | Net exposure | Total impairment | Net exposure | Total impairment |
| **A On balance sheet exposures** | | | | | | | | | | |
| Bad loans exposures | 29.781 | 1.360.692 | - | 649.762 | 11.890 | 553.781 | - | 2.110.651 | 7.080 | 16.848 |
| Unlikely-to-pay exposures | 322.187 | 488.382 | 41.039 | 3.755.136 | 473.758 | 349.997 | 121.798 | 92.495 | - | 828 |
| Impaired pastdue exposures | 4.292 | 425 | 630 | 62 | - | - | - | - | - | - |
| Other operations | 1.763.559.586 | 1.460.304 | 551.880.985 | 441.586 | 686.137.784 | 982.212 | 138.558.531 | 128.946 | 23.801.697 | 22.316 |
| **TOTAL A** | **1.763.915.846** | **3.309.803** | **551.922.654** | **4.846.546** | **686.623.432** | **1.885.990** | **138.680.329** | **2.332.092** | **23.808.777** | **39.992** |
| **B Off balance sheet exposures** | | | | | | | | | | |
| Impaired exposures | - | - | - | - | - | - | - | - | - | - |
| Not-impaired exposures | 229.076.920 | 188.567 | 106.072.812 | 72.945 | 89.289.060 | 33.472 | 27.066.879 | 18.731 | 7.530.960 | 7.119 |
| **TOTAL B** | **229.076.920** | **188.567** | **106.072.812** | **72.945** | **89.289.060** | **33.472** | **27.066.879** | **18.731** | **7.530.960** | **7.119** |
| **(TOTAL A+B) 31/12/2022** | **1.992.992.766** | **3.498.370** | **657.995.466** | **4.919.491** | **775.912.492** | **1.919.462** | **165.747.208** | **2.350.823** | **31.339.737** | **47.111** |
| **(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** |

### 9.3 Large exposures

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| a) Carrying Amount | 1.633.889.884 | 1.155.316.623 |
| b) Weighted Amount | 958.654.476 | 701.055.622 |
| c) Number | 20 | 16 |

In accordance with regulatory requirements, the table shows the total amount and number of counterparties with risk position, , proportionate to the "book value" amount, that exceed 10% of own funds.
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 revolving credits 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 remains largely below the monitoring limit defined under the Risk Appetite Framework of 4,5 the Own Funds, Given that it shows a moderate concentration of risks.
For risk exposures beyond the limit of 25% of capital threshold, the Parent Company provides surety bonds to cover the excess of the individual limit.
It should be noted that as of December 31, 2022, the exposures covered by this Sureties referred to seven primary Groups whose total exposure amounted to 67% of the total exposures of large Risks.

## 3.2 – MARKET RISKS

Factorit, as the company does not have any assets in its trading portfolio, it is not exposed to market risk.
Therefore, it is subject only to interest rate risk on its banking book assets and marginally to foreign exchange risk for which, as discussed below, it consists solely of quarterly contribution to the Group's market risk capital requirement and capital requirement through the Fundamental Review of the Trading Book (FRTB) subject to parallel reporting at the Group level from September 2021.

### 3.2.1 Interest rate risk

#### QUALITATIVE DISCLOSURE

#### 1 – General information managing, processes and other methods to measure interest rate risk

Interest rate risk is caused by differences, in the timing and manner, in the repricing of the interest rate of assets and liabilities. The existence of diversified interest rate fluctuations can generally result in both a change in the expected interest margin and a change in the current value of assets and liabilities and, consequently, in the economic value of equity.

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

The impact on future interest margin over 12 months resulting from an instant and parallel change in interest rates of +200 basis points is -3 million euros.
Future interest margin means the difference between future interest income and future interest expense calculated on transactions existing at the reporting date under assumption of constant volumes.
The effects of a -200 bp decrease in interest rates over a 12-month period on future interest margin would result in an increase of Euro 3 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, estimated at a reduction/increase of 9 million euros, would impact less than the threshold of attention provided in the regulatory provisions (20% in relation to Own Funds).

## 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** | **1.589.325.735** | **1.401.417.752** | **112.614.098** | **184.580.841** | **191.181.227** | **213.662** | **-** | **-** |
| 1.1 Debt instruments | - | - | - | - | - | - | - | - |
| 1.2 Loans and receivables | 1.589.325.735 | 1.401.417.752 | 112.614.098 | 184.580.841 | 191.181.227 | 213.662 | - | - |
| 1.3 Other Assets | - | - | - | - | - | - | - | - |
| **2. Liabilities** | **433.672.575** | **2.772.295.644** | **637.599** | **1.453.142** | **4.661.425** | **5.104.207** | **7.186.466** | **-** |
| 2.1 Debts | 433.672.575 | 2.772.295.644 | 637.599 | 1.453.142 | 4.661.425 | 5.104.207 | 7.186.466 | - |
| 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** | **6.745.792** | **38.498.440** | **7.887.404** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt instruments | - | - | - | - | - | - | - | - |
| 1.2 Loans and Receivables | 6.745.792 | 38.498.440 | 7.887.404 | - | - | - | - | - |
| 1.3 Other assets | - | - | - | - | - | - | - | - |
| **2. Liabilities** | **221.754** | **41.605.649** | **10.597.790** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debts | 221.754 | 41.605.649 | 10.597.790 | - | - | - | - | - |
| 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** | **45.663** | **110.141** | **-** | - | - | - | - | - |
| 1.1 Debt instruments | - | - | - | - | - | - | - | - |
| 1.2 Loans and Receivables | 45.663 | 110.141 | - | - | - | - | - | - |
| 1.3 Other assets | - | - | - | - | - | - | - | - |
| **2. Liabilities** | **28** | **107.864** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debts | 28 | 107.864 | - | - | - | - | - | - |
| 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** | **171.593** | **1.113.224** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt instruments | - | - | - | - | - | - | - | - |
| 1.2 Loans and Receivables | 171.593 | 1.113.224 | - | - | - | - | - | - |
| 1.3 Other assets | - | - | - | - | - | - | - | - |
| **2. Liabilities** | **2.310** | **1.262.131** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debts | 2.310 | 1.262.131 | - | - | - | - | - | - |
| 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** | **53.131.636** | **155.804** | **119** | **344** | **-** | **1.284.354** |
| 1.1 Debt instruments | - | - | - | - | - | - |
| 1.2 Equity instruments | - | - | - | - | - | - |
| 1.3 Loans and Receivables | 53.131.636 | 155.804 | 119 | 344 | - | 1.284.354 |
| 1.4 Other financial assets | - | - | - | - | - | - |
| **2. Other assets** | **-** | **-** | **-** | **-** | **-** | **-** |
| **3. Financial liabilities** | **52.425.193** | **107.892** | **-** | **-** | **5** | **1.264.436** |
| 3.1 Debts | 52.425.193 | 107.892 | - | - | 5 | 1.264.436 |
| 3.2 Debt instruments | - | - | - | - | - | - |
| 3.3 Other financial liabilities | - | - | - | - | - | - |
| **4. Other liabilities** | **94.141** | **3.647** | **105** | **-** | **-** | **6.065** |
| **5. Derivatives** | **-** | **-** | **-** | **-** | **-** | **-** |
| 5.1 Long positions | - | - | - | - | - | - |
| 5.2 Short positions | - | - | - | - | - | - |
| **Total assets** | **53.131.636** | **155.804** | **119** | **344** | **-** | **1.284.354** |
| **Total liabilities** | **52.519.334** | **111.539** | **105** | **-** | **5** | **1.270.501** |
| **Difference (+/-)** | **612.302** | **44.265** | **14** | **344** | **-5** | **13.853** |

## 3.3 OPERATING RISK

## QUALITATIVE DISCLOUSURE

### 1. General aspects, management and measurement of operating 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 normative device.

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 2022 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.

**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 (from the exercise as well through the use of selected monitoring indicators of potential threats insisting on information systems) 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 2022, amounted to approximately Euro 6,5 million.
The operating losses recorded during the year as part of the Loss Data Collection process are mainly disbursements attributable to: (i) 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); (ii) 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 the losses incurred due to breakdown/damage to company assets (Event Type 05 - Damage from external events) 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 recovery funds or to get them at reasonable costs on the market (funding liquidity risk) or the difficulty of disinvesting its assets and incurring capital losses (market liquidity risk).

With reference to these risk cases, Factorit is characterized by a limited exposure, thanks among other things, to the choice to give priority to maintaining an adequate level of balance in the structure for assets and liabilities maturity while pursuit of increasing 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, 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 referred to as the Financial Risk Book, 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 slot.

## QUANTITATIVE DISCLOSURE

The following tables have been prepared pursuant to the supervisory instructions issued by Bank of Italy. In particolare si è provveduto a collocare i flussi finanziari, non attualizzati, nelle pertinenti fasce di vita residua escludendo nel contempo ogni svalutazione forfettaria. In particular, not-discounted cash flows are recorded in the relevant residual maturity brackets excluding any fixed impairment losses.

### 1. Temporal distribution of financial assets and liabilities by residual duration of the contract

| 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** | **375.376.998** | **102.701.730** | **131.330.992** | **848.107.484** | **1.208.973.391** | **321.724.223** | **250.070.926** | **223.725.463** | **19.067.317** | **1.997.982** | **-** |
| A.1 Government bonds | - | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| A.3 Financing | 375.376.998 | 102.701.730 | 131.330.992 | 848.107.484 | 1.208.973.391 | 321.724.223 | 250.070.926 | 223.725.463 | 19.067.317 | 1.997.982 | - |
| A.4 Other assets | - | - | - | - | - | - | - | - | - | - | - |
| **Cash Liabilities** | **454.635.954** | **449.859** | **250.000.236** | **2.499.145.056** | **1.101.078** | **859.332** | **1.863.992** | **2.490.669** | **2.174.207** | **12.290.673** | **-** |
| B.1 Due to: | - | - | - | - | - | - | - | - | - | - | - |
| - Banks | 402.691.127 | 54.997 | 250.000.000 | 2.499.000.000 | 7.667 | 60.986 | 122.327 | 384.006 | 138.617 | 85.658 | - |
| - Financial institutions | 21.599.461 | - | - | - | - | - | - | - | - | - | - |
| - Customers | 30.345.366 | 394.862 | 236 | 145.056 | 1.093.411 | 798.346 | 1.741.665 | 2.106.663 | 2.035.590 | 12.205.015 | - |
| B.2 Debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - | - |
| **Off balance sheet positions** | **41.312.220** | **2.929.523** | **9.595.429** | **61.218.651** | **117.777.107** | **78.540.857** | **42.924.710** | **591.101** | **-** | **-** | **-** |
| 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 | 41.312.219 | 2.929.523 | 9.595.429 | 61.218.651 | 117.777.107 | 78.540.857 | 42.924.710 | 591.101 | . | - | - |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | 41.312.219 | 2.929.523 | 9.595.429 | 61.218.651 | 117.777.107 | 78.540.857 | 42.924.710 | 591.101 | - | - | |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - | - |

With regard to total cash liabilities, deposits to Banks are represented by Euro 2.815.190.195 due to the Partent Company.

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** | **6.772.133** | **532.896** | **377.535** | **9.165.047** | **28.445.262** | **7.899.753** | | - | - | - | - |
| A.1 Government bonds | - | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| A.3 Financing | 6.772.133 | 532.896 | 377.535 | 9.165.047 | 28.445.262 | 7.899.753 | - | - | - | - | - |
| A.4 Other assets | - | - | - | - | - | - | - | - | - | - | - |
| **Cash Liabilities** | **221.755** | **-** | **357.960** | **13.381.285** | **27.866.405** | **10.597.790** | **-** | - | - | - | - |
| B.1 Due to: | | | | | | | - | - | - | - | - |
| - Banks | 221.755 | - | 357.960 | 13.381.285 | 27.866.405 | 10.597.790 | - | - | - | - | - |
| - Financial Institutions | - | - | - | - | - | - | - | - | - | - | - |
| - Customers | - | - | - | - | - | - | - | - | - | - | - |
| B.2 Debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - | - |
| **Off balance sheet positions** | **677.705** | **5.860** | **34.360** | **743.504** | **1.068.139** | **307.707** | **-** | **-** | **-** | **-** | **-** |
| 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 | 677.705 | 5.860 | 34.360 | 743.504 | 1.068.139 | 307.707 | - | - | - | - | - |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | 677.705 | 5.860 | 34.360 | 743.504 | 1.068.139 | 307.707 | - | - | - | - | - |
| 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** | **45.663** | **-** | **1.471** | **-** | **108.717** | **-** | **-** | - | - | - | - |
| A.1 Government bonds | - | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| A.3 Financing | 45.663 | - | 1.471 | - | 108.717 | - | - | - | - | - | - |
| A.4 Other assets | - | - | - | - | - | - | - | - | - | - | - |
| **Cash Liabilities** | **28** | **-** | | **-** | **107.864** | **-** | **-** | - | - | - | - |
| B.1 Due to: | | - | - | - | - | | - | - | - | - | - |
| - Banks | 28 | - | | - | 107.864 | - | - | - | - | - | - |
| - Financial Institutions | - | - | - | - | - | - | - | - | - | - | - |
| - Customers | - | - | - | - | - | - | - | - | - | - | - |
| B.2 Debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - | - |
| **Off balance sheet positions** | **776.830** | **715.519** | **-** | **784.061** | **364.039** | **-** | **-** | **-** | **-** | **-** | **-** |
| 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 | 776.830 | 715.519 | - | 784.061 | 364.039 | - | - | - | - | - | - |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | 776.830 | 715.519 | - | 784.061 | 364.039 | - | - | - | - | - | - |
| 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** | **172.341** | **-** | **-** | **933.680** | **179.865** | - | - | - | - | - | - |
| A.1 Government bonds | - | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| A.3 Financing | 172.341 | - | - | 933.680 | 179.865 | - | - | - | - | - | - |
| A.4 Other assets | - | - | - | - | - | - | - | - | - | - | - |
| **Cash Liabilities** | **2.310** | **-** | **-** | **828.746** | **433.385** | **-** | - | - | - | - | - |
| B.1 Due to: | - | - | - | - | - | - | - | - | - | - | - |
| - Banks | 2.310 | - | - | 828.746 | 433.385 | - | - | - | - | - | - |
| - Financial Institutions | - | - | - | - | - | - | - | - | - | - | - |
| - Customers | - | - | - | - | - | - | - | - | - | - | - |
| B.2 Debt instruments | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - | - |
| **Off balance sheet positions** | **-** | **19.038** | **-** | **-** | **99.288** | **-** | | - | - | - | - |
| 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 | - | 19.038 | - | - | 99.288 | - | - | - | - | - | - |
| - Long positions | - | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | 19.038 | - | - | 99.288 | - | - | - | - | - | - |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - | - |

## Section 4 *Equity disclosure*

### 4.1 Equity

#### 4.1.1 Qualitative disclosure

The company's equity is considered adequate to cover existing and future risks.

This is also thanks to a prudent policy of profit distribution, which in the last 16 financial years has made it possible to reserve an amount of Euro 130,1 million.

| *(million euros)* | | | | | |
|---|---|---|---|---|---|
| **2006-2017** | **2018** | **2019** | **2020** | **2021** | **Total** |
| 102,6 | 9,2 | 7,8 | 5,2 | 5.3 | 130,1 |

#### 4.1.2 Quantitative disclosure

#### 4.1.2.1 Equity: breakdown

| Captions | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **1. Share Capital** | **85.000.002** | **85.000.002** |
| **2. Share premium** | **11.030.364** | **11.030.364** |
| **3. Reserves** | **157.985.405** | **152.868.266** |
| - income related | 148.816.203 | 143.699.064 |
| a) legal | 13.648.346 | 12.839.989 |
| b) statutory | - | - |
| c) treasury shares | - | - |
| d) other | 135.167.857 | 130.859.075 |
| - other | 9.169.202 | 9.169.202 |
| **4. Treasury shares** | - | - |
| **5. Valuation reserves** | **-497.061** | **-310.385** |
| - Financial assets measured at fair value through OCI | -197.044 | 73.626 |
| - 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 | -300.017 | -384.011 |
| - Portion of revaluation reserves of equity-accounted investees | - | - |
| **6. Equity instruments** | - | - |
| **7. Profit (loss) for the year** | **23.903.433** | **16.167.141** |
| **Total** | **277.422.143** | **264.755.388** |

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

| Assets/Values | 31/12/2022 | | 31/12/2021 | |
|---|---|---|---|---|
| | Positive Reserve | Negative Reserve | Positive Reserve | Negative Reserve |
| 1. Debt instruments | - | - | - | - |
| 2. Equity instruments | - | (197.044) | 73.626 | - |
| 3. Funding | - | - | - | - |
| **Total** | **-** | **(197.044)** | **73.626** | **-** |

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

| | Debt instruments | Equity instruments | Funding |
|---|---|---|---|
| **1. Opening balance** | **-** | **73.626** | **-** |
| **2.Increases** | **-** | **-** | **-** |
| 2.1 Fair value increases | - | - | - |
| 2.2 Impairment losses for credit risk | - | - | - |
| 2.3 Reversal to the income statement of negative reserves | - | - | - |
| 2.4 Transfers to other equity components (equity instruments) | - | - | - |
| 2.5 Other | - | - | - |
| **3. Decreases** | **-** | **(270.670)** | **-** |
| 3.1 Fair value decreases | - | (270.670) | - |
| 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** | **-** | **(197.044)** | **-** |

The difference is due to the adjustment, at the date of preparation of the 2022 financial statements, of the value of the Webuild S.p.A. shares (former Astaldi S.p.A.).

## 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

Own Funds are the main reference point in the Supervisory Board's assessments of the stability of the financial intermediary and the system.

The most important instruments of prudential control, such as risk requirements and risk concentration rules, are based on it.

Own Funds as of December 31, 2022 consist exclusively of Tier 1 Primary Capital.

#### 4.2.1.2 Quantitative disclosure

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **A. Common Equity Tier 1 (CET1) before application of prudential filters** | **253.518.710** | **248.588.247** |
| **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)** | **253.518.710** | **248.588.247** |
| **D. Elements to be deducted from CET1** | **171.240** | **411.388** |
| **E. Total Common Equity Tier 1 (TIER 1) (C – D)** | **253.347.470** | **248.176.859** |
| **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)** | **253.347.470** | **248.176.859** |

Own Funds do not include the share of non-distributable 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

The adequate amount of own funds allows compliance with the adequacy of the individual solvency ratio. This requirement is expressed by the ratio between the Own Funds and all the weighted assets in relation to the degree of own risk of each of them.
At 31 December 2022, Credit risk and operational risk are the risks that feed the weighted assets.

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

| Caption/Values | Unweighted amounts | | Weighted amounts/ requirements | |
|---|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 |
| A. EXPOSURES | | | | |
| A.1 Credit and counterparty risk | 4.066.514.768 | 3.348.464.325 | 2.340.627.531 | 2.218.549.704 |
| B. CAPITAL REQUIREMENTS | - | - | - | - |
| B.1 Credit and counterparty risk | - | - | 140.437.652 | 133.112.982 |
| B.2 Requirement for the provision of payment services | - | - | - | - |
| B.3 Requirement for issuing electronic money | - | - | - | - |
| B.4 Specific prudential requirements | - | - | 6.524.313 | 5.977.142 |
| B.5 Total prudential requirements | - | - | 146.961.965 | 139.090.124 |
| C. EXPOSURES AND CAPITAL RATIOS | | | | |
| C.1 Risk-weighted assets | - | - | 2.449.366.075 | 2.318.168.747 |
| C.2 CET1 / Risk weighted assets (CET 1 Capital ratio) | - | - | 10,343% | 10,706% |
| C.3 Total Own Funds/Risk weighted assets (Total capital ratio) | - | - | 10,343% | 10,706% |

The weighted amount for credit and counterparty risk benefits, approximately Euro 675 million, from the use of financial guarantees issued by the Parent Company with respect to seven groups.

## *Section 5* *Statement of comprehensive income*

| Captions | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **10** | **Profit (Loss) for the year** | **23.903.433** | **16.167.141** |
| | **Other comprehensive income that will not be reclassified to profit or loss** | | |
| **20** | Equity instruments measured at fair value through OCI: | (368.258) | 330.622 |
| | *a)* fair value differences | (368.258) | 330.622 |
| | *b)* trasfers to other equity components | - | - |
| **70.** | Defined benefit plans | 114.277 | 938 |
| **100** | Income taxes related to other comprehensive income without reversal to income statement | 67.305 | (91.179) |
| **190** | **Total other comprehensive income** | **(186.676)** | **240.381** |
| **200** | **Comprehensive income (Captions 10+190)** | **23.716.757** | **16.407.522** |

## *Section 6* *Related party transactions*

### 6.1 Information about managers with strategic responsabilities remuneration

They are not present for the 2022 financial year.

### 6.2 Loans and guarantees granted to directors and statutory auditors

See caption 110.a of the income statement.

### 6.3 Related party transactions disclosure

### 6.3.1. Transactions with the Parent Company and associates

**Loans with banks**

| Banca Popolare di Sondrio S.p.A. | Amount |
|---|---|
| Ordinary current accounts– Euro | 212.726 |
| Ordinary current accounts– Foreign currency | 22.447 |
| Factoring non recourse credits | 91.881 |
| Tax consolidation receivables | 5.039.681 |
| Property and equipment – Rights of use under leasing | 832.460 |
| Principal account | 49.400 |
| **Total** | **6.248.595** |

### Due to banks

| Banca Popolare di Sondrio S.p.A. | Amount |
|---|---|
| Ordinary current accounts | 313.037.517 |
| Hot money | 2.499.000.000 |
| Hot money accruals | 117.106 |
| Advances – foreign currency | 744.843 |
| Rateo denaro caldo | |
| Prepayments – foreign currency | 9.776 |
| Rateo denaro caldo | |
| Commissions to be paid | 1.400.344 |
| Supplier invoices | 26.354 |
| Tax consolidation debts | 6.352.844 |
| Lease liabilities | 854.257 |
| **Total** | **2.821.543.041** |

### Loans with customers

| Sinergia Seconda S.r.l. | Amount |
|---|---|
| Property and equipment – Rights of use under leasing | 16.869.004 |
| **Total** | **16.869.004** |

| Rent2go S.r.l. | Amount |
|---|---|
| Property and equipment – Rights of use under leasing | 64.009 |
| Factoring receivables | 4.143.676 |
| **Total** | **4.207.685** |

### Liabilities with customers

| Sinergia Seconda S.r.l. | Amount |
|---|---|
| Lease liabilities | 16.970.258 |
| Invoices to be received | 32.854 |
| **Total** | **17.003.112** |

| Rent2go S.r.l. | Amount |
|---|---|
| Lease liabilities | 62.839 |
| **Total** | **62.839** |

### Costs - banks

| Banca Popolare di Sondrio S.p.A. | Amount |
|---|---|
| Interest expense | 4.263.461 |
| Interest expense lease liabilities | 8.853 |
| Depreciation rights of use under leasing | 232.931 |
| Fee and commission expense – expense | 9.100 |
| Fee and commission expense - factoring | 1.400.344 |
| Fee and commission expense – financial guarantees | 1.093.054 |
| Lease expense | 7.000 |
| Service contracts (outsourcing) | 520.000 |
| Directors' fees | 27.441 |
| **Total** | **7.562.184** |

### Revenue - banks

| Banca Popolare di Sondrio S.p.A. | Amount |
|---|---|
| Interest income – ordinary current accounts | -48.633 |
| Fee and commission income | -5.743 |
| Seconded personnel | 891.194 |
| **Total** | **836.818** |

### Revenue - customers

| Rent2go S.r.l. | Amount |
|---|---|
| Interest income | 12.808 |
| Fee and commission income | 191.809 |
| Seconded personnel | 50.208 |
| Other operating income | 1.166 |
| **Total** | **255.991** |

### Cost – customers

| Sinergia Seconda S.r.l. | Amount |
|---|---|
| Charges for passive rents | 226.624 |
| Interest expense lease liabilities | 171.216 |
| Depreciation rights of use under leasing | 935.044 |
| **Total** | **1.332.884** |

| Rent2go S.r.l. | Amount |
|---|---|
| Interessi passivi relativi a debiti per leasing | 301 |
| Depreciation rights of use under leasing | 26.222 |
| Other administrative expenses (vehicles) | 37.692 |
| **Total** | **64.215** |

## *Section 7* *Leasing (Lessee)*

### QUALITATIVE DISCLOSURE

Contracts covered by IFRS 16 may be classified into three distinct categories:

a) properties, the most relevant category;
b) cars.

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 and monthly payment.

In accordance with paragraph 33 of IFRS 16, and taking into account that contracts are concluded on market terms, no impairment situation has arisen that requires impairment in the right of use asset.
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 18,8 million while the lease liabilities to euro 17,9 million.

In the Part C of the Notes to the Financial Statements, the interest expense of lease liabilities is reported. Please refer to this section for more details.

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 2022, excluding costs relating to leases with a maturity equal to or less than a month.

### QUANTITATIVE INFORMATION

According to IFRS 16, paragraph 53, the class- level information of the assets consisting of the right of use is provided in the table below:

| Assets/Values | Right of use value 01/01/2022 | Depreciation | Other changes | Carrying Amount at 31/12/2022 |
|---|---|---|---|---|
| Properties | 17.295.079 | (1.186.630) | 1.680.027 | 17.788.476 |
| Cars | 49.412 | (37.059) | 51.655 | 64.008 |
| Other types | - | - | - | - |
| **Total** | **17.344.491** | **(1.223.689)** | **1.731.682** | **17.852.484** |

Regarding “Other changes”, the impact is mainly related to the determination of right of use values following ISTAT adjustments and the opening and closing of contracts.

## *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.

## FINANCIAL STATEMENT
(Euro)

| Assets | 31/12/2021 | 31/12/2020 |
|---|---|---|
| 10. **Cash and cash equivalents** | **4.703.889.378** | **4.476.284.059** |
| 20. **Financial assets at fair value through profit or loss** | **1.458.703.687** | **1.239.044.920** |
| a) Financial assets held for trading | 202.413.061 | 169.744.106 |
| c) Other Financial assets measured at fair value | 1.256.290.626 | 1.069.300.814 |
| 30. **Financial assets at fair value through OCI** | **3.098.860.630** | **2.617.072.850** |
| 40. **Financial assets at amortised cost** | **38.247.794.841** | **35.140.118.894** |
| a) Loans and Receivables with banks | 4.846.046.900 | 4.894.616.704 |
| b) Loans and Receivables with customers | 33.401.747.941 | 30.245.502.190 |
| 70. **Equity investments** | **612.881.184** | **613.487.983** |
| 80. **Property and equipment** | **397.699.575** | **379.777.099** |
| 90. **Intangible assets** | **15.705.531** | **12.872.557** |
| 100. **Tax assets** | **289.532.693** | **378.942.324** |
| a) Current | 7.046.019 | 43.167.619 |
| b) Deferred | 282.486.674 | 335.774.705 |
| 120. **Other assets** | **810.729.046** | **373.759.393** |
| **Total assets** | **49.635.796.565** | **45.231.360.079** |

| Liabilities and Equity | 31/12/2021 | 31/12/2020 |
|---|---|---|
| 10. **Financial liabilities measured at amortised cost** | **45.539.331.233** | **41.392.257.233** |
| a) Due to banks | 9.689.126.033 | 8.858.607.901 |
| b) Due to customers | 32.176.500.378 | 29.725.068.448 |
| c) Securities issued | 3.673.704.822 | 2.808.580.884 |
| 20. **Financial liabilities held for trading** | **22.795.622** | **31.785.558** |
| 60. **Tax liabilities** | **28.200.195** | **26.177.989** |
| a) current | - | - |
| b) deferred | 28.200.195 | 26.177.989 |
| 80. **Other liabilities** | **916.805.041** | **844.105.983** |
| 90. **Post-employment benefits** | **37.821.567** | **39.854.380** |
| 100. **Provisions for risks and charges** | **258.856.209** | **256.130.244** |
| a) Commitments and gurantees given | 42.904.110 | 58.301.001 |
| b) Pension and similar provisions | 164.886.732 | 162.296.416 |
| c) Other Provisions for risks and charges | 51.065.367 | 35.532.827 |
| 110. **Valuation reserve** | **52.087.552** | **49.906.067** |
| 140. **Reserves** | **1.153.959.091** | **1.102.256.637** |
| 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** | **212.099.145** | **75.045.078** |
| **Total Liabilities and Equity** | **49.635.796.565** | **45.231.360.079** |

## INCOME STATEMENT
(Euro)

| Income Statement items | 31/12/2021 | 31/12/2020 |
|---|---|---|
| 10. Interests and similar income | 554.081.281 | 499.257.139 |
| of which: interest income calculated using the effective interest method | 545.930.738 | 491.791.157 |
| 20. Interests and similar expense | (107.238.358) | (93.039.782) |
| **30. Net interest income** | **446.842.923** | **406.217.357** |
| 40. Fee and commission income | 322.497.371 | 289.140.354 |
| 50. Fee and commission expense | (12.669.722) | (12.824.563) |
| **60. Net fee and commission income** | **309.827.649** | **276.315.791** |
| 70. Dividends and similar income | 22.262.886 | 21.118.202 |
| 80. Net trading income | 50.590.460 | (6.519.006) |
| 100. Net gain from sales or repurchases of: | 46.616.556 | (717.156) |
| a) Financial assets at amortised cost | 32.878.373 | (25.590.503) |
| b) Financial assets at fair value through OCI | 13.756.106 | 24.811.767 |
| c) Financial liabilities | (17.923) | 61.580 |
| 110. Net gain on financial assets and liabilities at fair value through profit or loss | 23.752.704 | (1.799.424) |
| b) Other financial assets required to be measured at fair value | 23.752.704 | (1.799.424) |
| **120. Total income** | **899.893.178** | **694.615.764** |
| 130. Net impairment losses for credit risk on: | (140.242.538) | (132.910.477) |
| a) Financial assets measured at amortised cost | (141.251.457) | (132.054.574) |
| b) Financial assets measured at fair value through OCI | 1.008.919 | (855.903) |
| 140. Profit/losses from contractual changes without derecognition | (6.098.547) | (6.414.585) |
| **150. Net result of financial management** | **753.552.093** | **555.290.702** |
| 160. Administrative expenses: | (471.609.050) | (441.887.596) |
| a) Personnel expenses | (208.575.438) | (190.267.407) |
| b) Other administrative expenses | (263.033.612) | (251.620.189) |
| 170. Net accruals to provisions for risks and charges | (460.303) | (12.616.540) |
| a) Commitments and guarantees given | 15.396.891 | (15.510.974) |
| b) Other net accruals | (15.857.194) | 2.894.434 |
| 180. Depreciation and net impairment losses on property and equipment | (32.145.524) | (32.770.630) |
| 190. Amortisation and net impairment losses on intangible assets | (14.502.720) | (13.739.044) |
| 200. Other operating income/expense | 67.599.038 | 58.071.163 |
| **210. OPERATING COSTS** | **(451.118.559)** | **(442.942.647)** |
| 220. Net gains on investments | (894.887) | (582.334) |
| 230. Net result of fair value measurement of tangible and intangible assets | (271.952) | - |
| 250. Net gains on sales of investments | 113.326 | 12.007 |
| **260. PRE-TAX PROFIT FROM CONTINUING OPERATIONS** | **301.380.021** | **111.777.728** |
| 270. Income taxes | (89.280.876) | (36.732.650) |
| **280. POST-TAX PROFIT FROM CONTINUING OPERATIONS** | **212.099.145** | **75.045.078** |
| **300. PROFIT (LOSS) FOR THE PERIOD** | **212.099.145** | **75.045.078** |

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. | 41.338 |
| Other services | EY S.p.A. | 7.500 |

The above ammounts do not include IVA tax and expenses.

**Report of the Board of Statutory Auditors**

**to the financial statements for the year ended December 31st, 2022**

Dear Shareholder,

in compliance with the article 2429, par 2, of the Civil Code and with the bylaw, the provisions in force for companies registered in the Register of Financial Intermediaries pursuant to art. 106 of the Consolidated Law of Banking (TUB) and the principles of conduct issued by the National Council of Chartered Accountants and Accountants, with this Report the Board of Statutory Auditors illustrates the activity performed in 2022, including supervision of compliance with the law, the articles of association and the correct principles of administration in the management of the Company, as well as the adequacy of the organisational structure and internal control systems.

On 22th April 2022, the Shareholders' Meeting reelected the Board of Statutory Auditors, which ceased to hold office for three years, appointing for the next period and until the approval of the financial statements at 31 December 2024 its members in the persons of Dr Laura Vitali (President), Dr. Daniele Morelli and Dr. Luigi Gianola (Statutory Auditors). Both statutory auditors were already part of the previous Board. The functions of Supervisory Body pursuant to Legislative Decree no. 231/2001 are entrusted to an independent body set up for this purpose.

Regarding compliance with the law and the bylaw, we would like to point out that, during the 2022 financial year, Directors have acted in accordance with these rules, adhering to correct principles of administration and economic rationality in business management. No transactions that are imprudent or detrimental to the Company, or in a potential conflict of interest or in conflict with the resolutions of the Shareholders' Meeting have been carried out. We also mean that at the operational level we have not detected behaviors that are different or in contrast to the decisions taken by the Directors.

We took part to all 9 (nine) meetings of the Board of Directors as well as the Shareholders' Meeting (one), held during the year, thus being able to confirm that the same meetings were convened and took place in compliance with the rules governing their operation.

The Board has also interacted with the Supervisory Body, both through the participation in some of its meetings and by virtue of specific information flows in place between the two bodies, thus encouraging a constant exchange of information on specific topics of highly importance and, in particular, on the control of commission risks of the offences provided in the relevant legislation; the verifications carried out by this body have not revealed any conduct that is not in line or does not comply with the principles and requirements contained in Model 231/2001.

We also point out that during the 2022 financial year the Board of Statutory Auditors met 13 (thirteen) times.

As per our duty, we have monitored the compliance of the organizational structure with the operational requirements of the Company, as well as those arising from the membership of the Banca Popolare di Sondrio Banking Group; I in this regard we have not found organizational deficiencies to bring to your attention.

With regard to the supervision of the adequacy of internal control systems, we have operated relying on the competent structures of the Company and the Parent Company, as well as the Fiduciary Union in charge as Compliance Function; and this in particular with regard to the risks related to the business and the effectiveness of the information system as regards financial reporting. In this regard, we confirm that we have paid particular attention to the overall structure of the system of internal controls and the consistency of the same in reference to both the provisions and guidelines issued by the Parent Company, is to the relevant legislation issued by the Supervisory Authority. The Board paid particular attention to the activities achieved by the outsourcing of the Risk Control Function to the Parent Company in force from the beginning of the year. We confirm that, as far as our competence, we have not found the presence of issues to bring to your attention.

During our activity we have not detected atypical or unusual transactions with group companies or related parties.

The Board of Directors has provided in the Management report and in the Notes an adequate information about the impacts of the Russian-Ukrainian conflict occurring since the end of February 2022 as well as about the events generated by the continuation of the Covid-emergency19, as well as on transactions of major economic, financial and patrimonial importance carried out by the Company in the year, including with related parties. Mention should be made of the dealing, in March 2022, of the sale to the Holding Company Banca Popolare di Sondrio of the entire 39.5% shareholding held by Banco BPM; the Parent Company thus obtained full control of Factorit S.p.A.

As regards the regular keeping of accounts and the correct representation in the financial statements of the management facts, the control function was performed by the Independent Auditors EY S.p.A. (ex. Art. 2409 bis c.c.).

We discussed with EY S.p.A. their results of the audit work carried out and we noted there were no observations regarding the financial statements, nor any comments on the organisation and suitability of accounting systems to correctly represent management events.

However, we have supervised the set up and the preparation of the financial statements with regard to both the compliance with the prescribed accounting standards and the process of preparing the related financial information.

We can therefore certify that the financial statements submitted by the Directors for your approval have been prepared in accordance with the specific provision ruling their formation and that the same has been drawn up by applying international accounting standards IAS/IFRS adopted by the European Union. As regards the representation schemes, it shall comply with the formal requirements for credit and financial institutions.

With regard to the Management report, we note that the external auditor has carried out the procedures determined by the auditing principle (SA Italia) n.720B confirming that the annual report is consistent with the financial statements of Factorit S.p.A at 31 December 2022 and is prepared in accordance with the Law. The Independent Auditors confirms that with reference to the declaration pursuant to art. 14, c. 2 lett. e) of D.lgs. 39/2010, no elements have emerged to bring to your attention.

Finally, we declare that no complaints have been received by third parties or by the Board pursuant to art. 2408 of the Civil Code. We also declare that in the course of the year we have not issued, nor have we been asked for, any advice required by law.

Given the above and acknowledged that the audit report issued by EY S.p.A. does not contain any issue concerning the financial statements, neither emphasis of matter paragraph related to information provided by the Directors in the annual report and in the notes to the financial statements, having regard also to the fact that the Directors consider that the going concern is compromised, to the extent of our responsibility, we express a favorable opinion on the approval of the financial statements for the year 2022 and the proposal made by the Directors regarding the allocation of the net profit.

Milan, 28$^{th}$ March 2023

THE STATUTORY AUDITORS

Dott.ssa Laura Vitali

Dott. Daniele Morelli

Dott. 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, 2022 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing Article 43 of Legislative Decree n. 136, dated August 18, 2015.

### Basis for opinion

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

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

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

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

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

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

## Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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## 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, 2022, 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, 2022 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, 2022 and comply with the applicable laws and regulations.

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

Milan, March 28, 2023

EY S.p.A.
Davide Lisi

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

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