Factorit

DIRECTORS' REPORT AND FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

GRUPPO Banca Popolare di Sondrio

Directors' Report and Financial Statements as at and for the year ended 31 december 2023

Factorit
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Factorit S.p.A.

Registered office, General Management and Head Office
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Member of Banca Popolare di Sondrio Group
Included in the Banking Group Register as no. 5696.0

Tax code/VAT no. 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 Statutory Auditors	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.

Directors' Report

Dear Shareholder, the 2023 financial statements, the forty-fifth of the Company, recorded a profit of 32.107.100 Euro due to the increase in assets and the ability to successfully face the complexity of the macro-economic environment.

In the past year, in a macro-economic environment characterized by numerous uncertainties due to the increased geopolitical instability resulting from the Russian-Ukrainian conflict to which was added, in October, the conflict between Hamas and Israel, the worsening and subsequent easing phase of inflation with its related repercussions on interest rates still maintained at high levels by central banks, the beginning of a moderate decline in consumer prices, and the slowdown in production, investment and spending in the euro zone. Consistent with the objectives set by the business development plan, the Company focused on maintaining and building customer loyalty, giving priority to the growing needs of its customers, without losing sight of credit quality and profitability. From a commercial point of view, the action has been carried out by implementing effective development actions in the area of supply chain credit, especially with regard to the agri-food sector; in seizing the opportunities of PNRR in the area of public works; and in favoring companies that have invested or are investing in ESG projects. This taking into account the territorial presence of the banking network of the Parent Company and the Affiliated Banks and concentrating its commercial action in the most economically relevant areas (Lombardy, Northern Italy, Lazio and Puglia).

Commercial activities continue to benefit from the investments made in distribution capacity, product innovation, specialization of the offer and technology with particular regard to the proprietary “Confirming” and “Reverse Factoring” platforms intended for Corporate customers that, in various ways, guarantee payment (including advance payments) to Suppliers and allow for the postponement of repayment times, as well as the integration of third-party platforms that allow customers to benefit from procedures and processes consolidated in their own management systems, simplifying the operations of the players involved.

Before illustrating the activities carried out during the year and the statement of the Company's financial and economic performance as of 31 December 2023, we consider it appropriate to briefly review, as usual, the evolution of the economic scenario and the performance of the domestic factoring market.

The Financial Statements as of 31 December 2023, like the previous one, have been audited by EY S.p.A.

SUMMARY OF RESULTS

Balance sheet figures	31/12/2023	31/12/2022	Var. %
Financial assets measured at fair value with impact on comprehensive income	1.041.024	793.216	31,24
Financial assets measured at amortized cost	4.277.811.600	3.531.993.369	21,12
(a) Receivables from banks	*12.430.654*	*10.206.145*	*21,80*
(b) Receivables from financial companies	*584.043.482*	*580.355.907*	*0,64*
(c) Loans and advances to customers	*3.681.337.464*	*2.941.431.317*	*25,15*
Total assets	4.318.422.996	3.584.423.240	20,48
Equity	293.558.657	277.422.143	5,82

(amounts in Euro)

Income statement figures	31/12/2023	31/12/2022	Var. %
Net Interest Income	42.585.469	27.220.516	56,45
Net fee and commission income	32.503.614	25.697.017	26,49
Total Income	75.060.170	52.974.811	41,69
Net Income	47.361.218	35.280.240	34,24
Profit (Loss) for the period	32.107.100	23.903.433	34,32
Capital Ratios			
CET1 Capital ratio	8,19%	10,34%	-20,82
Total Capital ratio	8,19%	10,34%	-20,82
Capital Surplus	71.218.291	106.385.505	-33,06
Other data			
Number of employees	152	156	-2,56
Number of branches	6	6	0,00

(amounts in Euro)

	31/12/2023	31/12/2022
Cost/Income	25,43%	34,80%
ROE	12,29%	9,40%
Net Interest Income/Total Income	56,74%	51,38%
Net fee and commission income/ Total Income	43,30%	48,51%
Net Interest Income/Total assets	0,99%	0,76%
Net financial income/Total assets	1,55%	1,50%
Profit for the period/Total assets	0,74%	0,67%
NPE coverage ratio	79,30%	90,56%
NPE ratio	0,29%	0,30%

THE INTERNATIONAL SCENARIO

The hope that 2023 would see an end to the war caused by the Russian invasion of Ukraine has been dashed. What is more, new conflicts have intervened to worsen an already critical situation. The closest one to us is just across the Mediterranean and risks triggering dangerous confrontation situations even in areas essential to international trade.

A scenario, then, that is extremely delicate and complex, in which it is becoming increasingly clear how difficult it is for those charged with this task to implement what they can to prevent the multiple crisis situations in the world from escalating into armed conflicts.

Also affected by the aforementioned events, the world economy gradually weakened during the course of the year, although the dynamics varied widely among countries. At the international level, GDP growth in 2023 is estimated at around 2,9 percent, weighed down by the effects of restrictive monetary policies and the worsening expectations of businesses and households.

World trade has also shown major signs of slowing down: after growth close to 5,5 percent in 2022, the pace of expansion in 2023 is forecast at 0,6 percent. Estimates for the current year must contend, among other things, with the risks of a widening Middle East crisis, with possible repercussions on the navigability of the Red Sea.

The gradual decline in inflation, to which the drop in energy product prices, now far removed from the peaks made following the outbreak of war in Ukraine, has undoubtedly contributed, first interrupted the series of rate hikes decided by the Monetary Authorities and then raised hopes that an easing of monetary tightening may be realized in 2024.

International stock exchanges have been essentially impervious to the winds of war. In the United States, the Standard&Poor 500 index was up 24 percent, while in Europe the Euro Stoxx 50 showed a 19 percent advance. In emerging countries, stock market performance was highly diversified. Prominent was Brazil, which marked new all-time highs with a 22 percent advance, while China retreated 11 percent.

The euro area experienced substantial stagnation in 2023. GDP was held back by both domestic demand, which was affected by the decline in consumer confidence, and foreign demand. Among the larger countries, only Spain showed appreciable growth momentum during the year, while among the others Germany stands out on the negative side, showing repeated signs of weakness especially in the industrial sector. For 2024, GDP growth estimates for the euro area were gradually revised downward, due to the weakening international business cycle and restrictive financing conditions for households and businesses.

The change in consumer prices marked +2,9 percent at the end of the year and is expected to decline further gradually. Because of this, professionals expect a loosening of the monetary tightening implemented by the ECB, which has certainly helped bring inflation back to acceptable levels but has at the same time weighed on economic growth.

The National Recovery and Resilience Plans, revised in October for 19 countries, have continued to exert their effects, thanks to the impressive resources disbursed so far (about 220 billion Euro).

The Swiss economy showed GDP growth of around 1,3 percent in 2023, a result caused on one hand by the positive dynamics of private consumption, and on the other hand by the reflective performance of industrial sectors, especially those most sensitive to economic trends.

Inflation has been declining over the course of the year to 1,4 percent in November, the lowest level for two years.

The Swiss National Bank, after one last hike in the benchmark rate, from 1.50 to 1,75 percent, in June 2023, did not intervene again, leaving the aforementioned rate at its highest level since 2009.

THE ITALIAN SCENARIO

Italian growth in 2022 (at 4 percent) and, above all, in 2021 (at 8,3 percent) overshadowed - decreeing a return to the asphyxiated percentages to which we had become accustomed before the pandemic - the result of the fiscal year under review, which stood at 0,9 percent.

Private consumption was still growing, but only by 1,2 percent compared to 5 or 6 in the previous two-year period; investment, which had sported double-digit increases, stopped at 4,7 percent, partly due to the downsizing of construction incentives. Positive were the contribution of public spending (+1,2%) and that - more due to a recession in imports (-0,5%) than to the impetus of exports (+0,2%) - of the foreign channel, which in monetary terms recorded a surplus of 34 billion, against the deficit of the same amount in the previous year, availing itself of the sharp contraction in energy prices paid.

Contraction to which is largely due the spectacular return of inflation from 12,3 percent at the end of 2022 to 0,5 percent twelve months later, a development that disrupted our differential to the European average, which fell "only", in the same time frame, by about six percentage points.

Also comforting was the labour market scenario: while the employment rate reached its highest level since the 1970s, the unemployment rate fell in correspondence, with the survey for December even at 7 percent. Youth unemployment dropped to an unprecedented 19,8 percent.

The restatement of nominal GDP for '21 and '22 resulted in the improvement, by about 4 percentage points of the public debt ratio, to 140,5 percent, which would then contract further in the year under review to 137,3 percent, well below the estimate in the Update Note to the DEF (140,2 percent).

If for the coming years, in the government's plans, this value should be substantially consolidated, the deficit - projected for 2024, under current legislation, at 3,6 percent - is subject to an expansionary manoeuvre of about 16 billion net such as to raise it to 4,3 percent. An amount almost equivalent to that of the two main measures adopted: the simplification, from four to three, of the

Irpef rates and, above all, the extension of the reduction of social security contributions (so-called wedge) paid by employees.

Government projections are understood to be based on the full deployment of the potential of the NRP, which is indispensable to hit a growth target of 1,2 percent, which, indeed, the Bank of Italy recently considered halving.

Reassuring is the judgment of the major rating agencies, which have confirmed their ratings, giving them a direction of stability, as well as that of the financial markets, with the spread having gone from just over 200 basis points to just over 150 in the twelve months.

FACTORING, THE DOMESTIC MARKET

During 2023, the factoring market recorded a turnover of about 290 billion Euro, basically in line with the previous year.

Outstanding factored receivables as of December 31, 2023 (outstanding) registered an increase of 1,2 percent over the same figure as of December 31, 2023.

The advances and fees paid component is also in line with the previous year.

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

	2020	2021	2022	2023
Turnover	227.829.051	250.629.550	287.258.017	289.753.062
Outstanding	62.233.640	65.599.552	69.468.897	70.291.103
Advances	50.340.478	51.440.505	56.630.010	58.126.642
Advances/*Outstanding*	*80,9%*	*78,4%*	*81,5%*	*82,7%*

(amounts in thousands of Euro)

Based on information provided by Assifact as of 31 December 2023, 46,7% of Factoring Companies in Italy are financial intermediaries under Art. 106 “Single Register” (developing 53,2% of turnover), banks make up 43,3% of operators (42,7% of turnover) and other intermediaries 10% (4,1% of turnover).

The volume of receivables sold to the top 5 operators in the system (all belonging to Banking Groups), among which Factorit is also included (in 4th place with a 6,3% share), is equivalent to 67,4% of the total market turnover.

COMMERCIAL PERFORMANCE

The number of receivables assigned during the period was 18.371 million Euro, basically in line with last year (18.635 million Euro).

Receivables assigned without recourse, i.e., with a guarantee on the successful completion of payments, accounted for 68,4 percent of total turnover, while those assigned with recourse accounted for 31,6 percent.

There were 1.405 active Clients as of 31 December 2023, basically in line with the figure as of 31 December 2022 (1.430).

Table 2. Operating figures

	2022	2023	Variation
Turnover	**18.635.151**	**18.371.433**	**-1,4%**
of which without recourse	12.760.696	12.562.808	**-1,6%**
of which with recourse	5.874.455	5.808.625	**-1,1%**
Net fee and commission income (%)	**0,14**	**0,18**	
Advances (stock) as of 12/31	**3.540.472**	**4.287.382**	**21,1%**
Outstanding	**3.951.127**	**4.558.623**	**15,4%**
of which without recourse	2.695.846	3.300.311	**22,0%**
of which with recourse	1.255.281	1.258.312	**0,2%**
No. of dossiers processed	**1.097.309**	**1.056.095**	**-3,8%**

(amounts in thousands of Euro)

Regarding the average days of loan turnover, the increase during the current fiscal year is highlighted (91 days compared to 77 days in 2022).

The distribution of turnover, based on the product sector of the Transferor, shows that most of the volumes are generated by customers belonging to the Services sector (30,6%), followed by Manufacturing (27,5%), Wholesale (18,6%), Energy (4,8%), Construction (3,6%), Transportation (3,2%) and Retail (0,3%), The “Other” sector covers the remaining 11,4 percent.

Graph 1. Breakdown of turnover by industry of originator

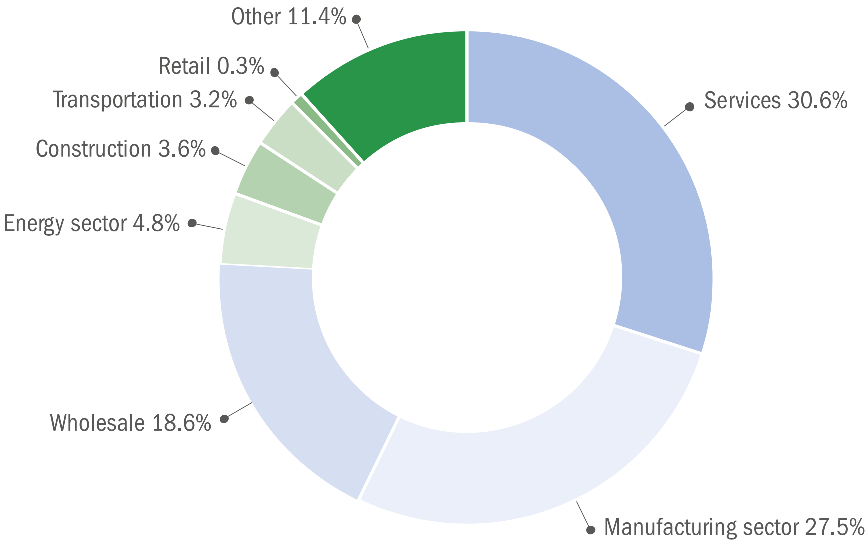


Table 3. Breakdown by product (% of total)

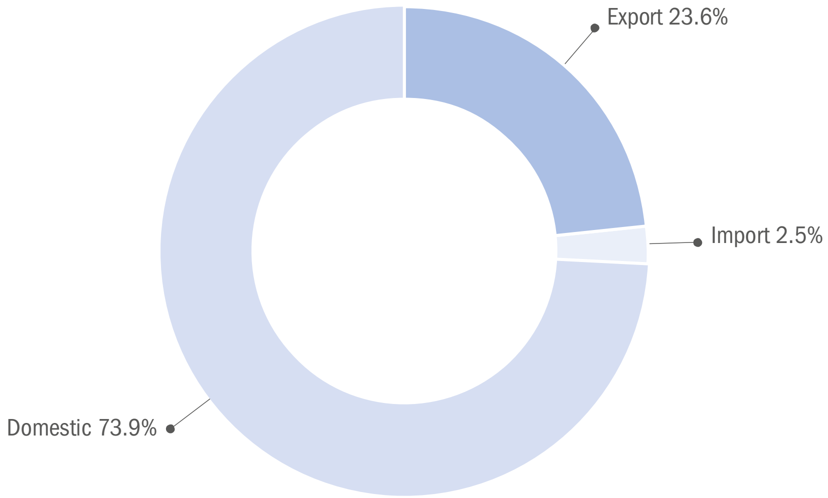
	2021	2022	2023
Traditional factoring	28,6%	31,6%	30,6%
Financing products without notice	53,8%	54,7%	52,9%
Maturity factoring	17,1%	13,3%	16,2%
Guarantee only without notice	0,5%	0,4%	0,3%
Total	**100,0%**	**100,0%**	**100,0%**

(percentages)

The distribution of turnover by product is mainly made up of traditional factoring with notification (30,6 percent) and factoring with no-notification financing (52,9 percent) held mainly with high standing counterparties. This is followed by maturity factoring with 16,2 percent of the total, while the component pertaining to guarantee-only products without notification is residual at 0,3 percent.

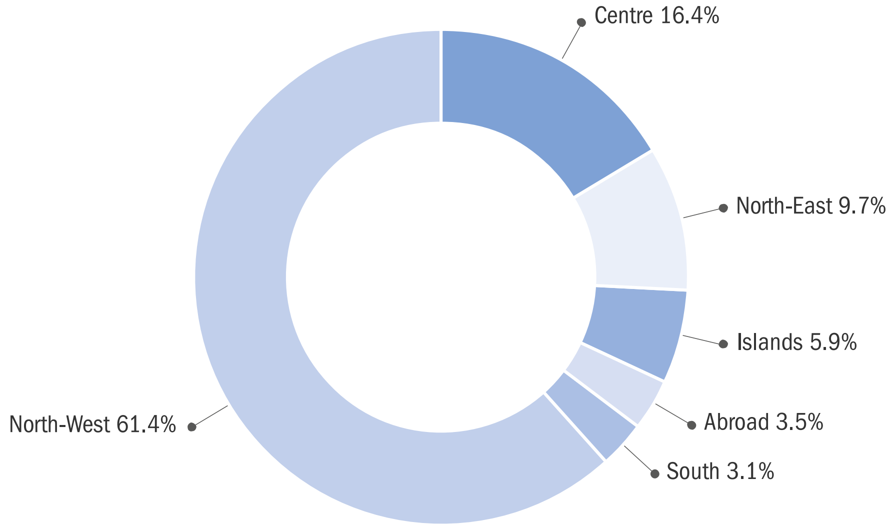
Domestic transactions accounted for 73,9 percent (78,8 percent in 2022) of total factored receivables, with 13.582 million Euro in turnover. Export factoring accounted for 23,6 percent (18,8 percent in 2022), for 4.334 million Euro, and import factoring accounted for 2,5 percent (2,4 percent in 2022), for 455 million Euro.

Graph 2. Breakdown of turnover by geographical segment



The Company's commercial activity was concentrated in the territories where the presence of the Parent Company's branches is most intense, as well as where direct commercial activity is most effective. The number of assigned receivables by Customers based in Lombardy (the first region in terms of turnover) accounts for 33,4 percent of the total. It is also followed by Piedmont (25,4 percent) and Lazio (12,4 percent) among the most significant regions in terms of volume. The contribution to the turnover of Assignors based abroad was 3,5 percent.

Graph 3. Breakdown of Assignors by macro-geographical areas



(percentages calculated considering the Assignors' registered office)

The number of advances as of 31 December 2023, was 4.001 million Euro, accounting for 87,8 percent of outstanding loans.

Distribution channels

The amount of assignments from Clients reported by the Parent Company amounted to 4.081,1 million Euro, with an incidence of 22,2% on the total amount of assigned receivables (which reaches 6.470,7 million Euro including banks with which there are active agreements for the distribution of the Company's products and an incidence of 35,2%, with a decrease of 3,1% compared to the previous year), decreasing by 6,2% compared to the volumes of the previous year.

Customers generated by the direct channel made assignments amounting to 11.453,7 million Euro, with an incidence of 62,4% of the total, which, registering a decrease of 0,5% compared to the previous year, confirms itself as the Company's main distribution channel, while the volume of receivables for import factoring operations, deriving from the reports of the corresponding FCI - Facilitating Open Account - Receivables Finance, amounted to 447 million Euro, with an impact of approximately 2,4% on the total receivables assigned.

Table 4. Turnover breakdown by distribution channels

	2022	% of Total	2023	% of Total	Variation
Banca Popolare di Sondrio	*4.352.906*	*23,4%*	*4.081.082*	*22,2%*	*-6,2%*
Total BANKS	6.675.637	*35,9%*	6.470.768	*35,2%*	*-3,1%*
Total IMPORT	452.530	*2,4%*	446.899	*2,4%*	*-1,2%*
Total DIRECT	11.506.984	*61,7%*	11.453.766	*62,4%*	*-0,5%*
Total	18.635.151	*100,0%*	18.371.433	*100,0%*	*-1,4%*

(amounts in thousands of Euro)

COMPANY PERFORMANCE

Economic and income results

The Company closed the year with a net profit of €32,1 million. The main indicators are listed below.

Net interest income amounted to around €42,6 million compared to €27,2 million in 2022 (+56,4%). The significant increase is due both to the higher average capital employed and to the increase in the spread applied to customers, resulting from the rise in interest rate curves.

Fee and Commission income amounted to approximately €37,4 million, compared to €29,9 million on 31 December 2022 (+24,9%). This result is attributable to the significant increase in the percentage of the average commission rate applied (0,204% compared to 0,161% in 2022) and the increase in Confirming transactions. As a result, **total income** amounted to approximately €75,1 million, compared to €53,0 million on 31 December 2022 (+41,7%).

Net impairment losses/reversals for credit risk show a negative balance of €8,1 million compared to a positive balance of €0,8 million on 31 December 2022, largely attributable to collective impairment. In this context, in line with the provisions of the IFRS9 methodological framework in force, the Company has provided for the quarterly update of both the so-called point-in-time probability of default and the parameterization of the forward-looking information used for the construction of the forward structures of the risk parameters, with particular reference to the new set of macro-economic scenarios.

It should be noted that, as in the last runs, appropriate management overlays were also applied to 31 December 2023, in order to obtain, from a prudential perspective, overall levels of impairment and coverage deemed more representative of the portfolio’s actual current and prospective risk profile. In particular, this approach took shape, in continuity with previous quarters, with the quantification of a set of multipliers (so-called geo-sectoral multipliers) to be applied to the model-based impairment level of the individual position, with the effect of generating an increase compared to the results of the purely model-based calculation of approximately €2,3 million (€1,4 million in 2022).

In addition, as a novelty of the run under analysis, it is worth noting the introduction of an additional prudential layer (so-called model-related add-on) aimed at anticipating the impact of the adoption of the new AIRB risk parameters also in the IFRS9 accounting impairment level, an activity that will be completed during the first half of 2024. This component was quantified, by means of a sensitivity analysis on a previous date (September portfolio), equal to 0,7 million Euro and applied to the individual positions in proportion to the exposure of each with respect to the total exposure of the portfolio. Overall, the application of management overlays considered as a whole (geo-sectoral multipliers and model-related add-ons) therefore brought the provision for collective impairment losses of the Company's performing loan portfolio to approximately €8,4 million (+€1,7 million compared to the June 2023 figure and +€4,4 million compared to the 2022 year-end value), corresponding to an overall coverage level of approximately 24 bps (+10 bps compared to the level at the end of 2022).

It should be noted that the NPL ratio (gross non-performing loan ratio) stood at 0,29% as of 31 December 2023 (gross non-performing loans of €12,5 million out of total gross balance sheet assets of €4.287,4 million) while on 31 December 2022 it was 0,30% (gross non-performing loans of €10,7 million out of total gross balance sheet assets of €3.540,5 million). The NPL coverage ratio was 79,3% (90,5% on 31 December 2022); the decrease is partly due to adjustments relating to “Seller” counterparties classified as likely to default due to uniformity of status with the Parent Company or because they resorted to the Negotiated Crisis Settlement tool, positions for which a provision of 15% was ordered in consideration of the fact that these are fully self-liquidating exposures.

With regard to the quality of outstanding receivables, there was a decrease, compared to the previous quarter, in the value of the percentage incidence of receivables overdue over 90 days compared to the total outstanding receivables: 1,54% on 31 December 2023 (€70.0 million) compared to 1,76% on 30 September 2023 (€62.8 million); as at 31 December 2022, this amount represented 1,73% of the outstanding (€68,5 million).

In general, as of 31 December 2023, the “overdue” overall considered (60 days, 90 days and over 90 days) was equal to 3,54% of the total, for an amount of 161,6 million Euro; as of 30 September 2023, it was 4,08% of the total (€145,1 million). As of 31 December 2022, it accounted for 3,21% (€126.9 million).

Finally, **administrative expenses** amounted to €18,5 million compared to €17,7 million at 31 December 2022 (+4,6%); The increase from the previous year is substantially affected by the higher costs incurred following the entry into force of the renewal of the banking sector contract. As a result, the cost-income ratio was 25,4% (34,8% in 2022); the decrease compared to the previous year is attributable to the substantial increase in net banking income despite the increase in the absolute value of the item.

Net provisions for risks and charges amounted to Euro -0,5 million.

Main events of the year

The Board of Directors, during the meetings held in 2023, analysed and assessed the reports provided by the Company's top management, concerning the Company's commercial performance, the exposure of large Assignors and Large Debtors, risk positions (classified under Bad Loans, Unlikely-to-Pay and Overdue Non-performing Loans) and the number of provisions, as well as loss-making transfers on receivables. The Board of Directors also examined the documentation relating to the composition of the portfolio, the resolutions adopted on credit exposures and litigation, own funds, and liquidity risk.

During the year, the Board of Directors approved, also, implementing 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 Bank of Italy Circular No. 288 of 3 April 2015 and subsequent updates "Supervisory provisions for financial intermediaries", the reports prepared by the Control Functions (compliance, risk control, anti-money laundering and internal audit) were brought to the attention of the Board.

It should be noted that, among the various provisions, the following has been resolved:

- on the **27th January**, the Board of Directors identified the most significant personnel and resolved on the determination of the motivational system in favour of staff, in compliance with the "Remuneration Policies of the Banca Popolare di Sondrio Banking Group", in compliance with the Supervisory provisions on remuneration and incentive policies and practices and the regulatory provisions indicated in paragraph *2-quater* of the "Provisions in transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers" issued by the Bank of Italy. It approved the 2023 Budget. It also approved the outsourcing of tax and tax activities to the Parent Company.
- on the **13th March**, the Board of Directors approved the draft financial statements for the year ended the 31th December 2022; convened the Ordinary Shareholders' Meeting, resolved on the determination of the variable part of the remuneration of the most important personnel and managers. It also approved the Company's "Action Plan on Climate and Environmental Risks".
- on the **5th May**, the Board of Directors took note, for the purposes of corporate management, of the evidence contained in the Group's ICAAP and ILAAP reports as at 31 December 2022 issued by the Parent Company Banca Popolare di Sondrio with reference to the Banking Group and mainly referring to the internal processes for determining capital adequacy (ICAAP) and assessing the adequacy of the governance and liquidity risk management system (ILAAP). It

also approved the statement of financial position as at 31 March 2023.

- on the **16th June**, the Board of Directors carried out the verification of the "prohibition of interlocking" (Article 36 of Law 214/2011) on the Directors and took note of the results of the audit carried out by the Board of Statutory Auditors in relation to its standing members. The Board of Directors also approved the outsourcing of the Infrastructure Facility Management and Application Maintenance-Management Service to the Parent Company for the Supervisory Reporting area.
- on the **31st July**, the Board of Directors approved the financial position as at 30 June 2023.
- on the **25th October**, the Board of Directors was informed that on 6 October 2023 Unipol Gruppo S.p.A. sent the Bank of Italy a communication (pursuant to Legislative Decree 385/1993, art. 20 c. 1 and the Bank of Italy's Provisions of 27 July 2022, Part V, par. 1, on the ownership structure of banks and other intermediaries) concerning the acquisition of an indirect qualified shareholding in the capital rights and vote of Factorit, following the completion, on 28 September 2023, of the acquisition of shareholdings equal to 10,2% of the share capital and voting rights of Banca Popolare di Sondrio S.p.A. The Board of Directors also approved the financial position as at 30 September 2023 and the determination of the criteria and parameters for the allocation of variable remuneration to the most significant personnel.

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

Organizational 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 organizational 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 Organization 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 2023, some changes were made to the organizational structure of the internal control system with the outsourcing to the Parent Company of activities relating to tax and tax obligations and, consequently, a special “Service Agreement” was concluded between the Compliance Function of Factorit S.p.A. and the Tax Office of the Parent Company in order to identify the new “Tax Legislation (Company side)” Specialist Unit.

Furthermore, in consideration of the regulatory changes referred to in the 40th update of Bank of Italy Circular 285/2013 on prudential supervision, with reference to the obligation for banks to establish a second-level control function responsible for monitoring and supervising security and ICT risks, the Parent Company has included Factorit S.p.A. in the supervision process for reasons of integration into the Group’s security and ICT risk management. The Company, in line with the expectations of the Parent Company, has divided the new responsibilities and related tasks in the field of ICT Risk between the Risk Control Function and the Compliance Function.

The Company’s internal control system and the related governance model are periodically examined and updated, if necessary, also in relation to any elements of misalignment with the new supervisory provisions on the subject.

Regulatory changes

The Company avails itself of the contribution of the Compliance Function which, as part of the activity of overseeing and monitoring the risks of non-compliance with the regulations, has the task of continuously identifying the applicable legislation, as well as assessing its impact on company processes and procedures.

During the year, in addition to reviewing the internal regulatory arrangements impacted by organisational changes or by the evolution of hetero-regulatory regulations (laws and regulations), the Company approved new documents in order to ensure the adequacy of Factorit’s regulatory body with respect to the objective of preventing the violation of mandatory and self-regulatory rules and ensuring an effective internal control system.

During the year, work also continued the implementation of the regulations issued by Banca Popolare di Sondrio, applicable to the banking group and of interest to the Company.

In this overall context, the Compliance Function expressed its assessments, contributing to the internal process of issuing and updating Factorit's regulatory body.

During the year, certain legislative and regulatory changes directly or indirectly affected the banking and financial system and, specifically, the Company. Here are the main ones.

The Bank of Italy followed previous communications in early 2022, in which it also required financial intermediaries to integrate climate and environmental risks into corporate strategies, governance and control systems and the risk management framework. On 8/04/2022, by means of a specific letter addressed to the intermediary, the Function expressed its considerations about it: (i) considering the Communication capable of producing a significant transversal impact on business processes (e.g. tasks of the Board of Directors, credit process in its entirety, remuneration policies, human resources, control functions, IT systems, business continuity, transparency, new products); (ii) deeming it essential to launch a transversal assessment on all impacted processes. With subsequent Communication Prot. 1940148/22 of 28/12/2022, the Bank of Italy reported on the critical issues that emerged following a survey aimed at assessing the level of integration of climate and environmental risks into management paradigms, urging the non-banking intermediary sector to prepare an “Action Plan” by 31/03/2023. The “Action Plan” prepared by the intermediary was sent to the Bank of Italy on 15/03/2023. With communication protocol 1294737/23 of 26/07/2023, “Round table with non-bank financial intermediaries - Supervisory expectations on climate and environmental risks”, Bank of Italy invited financial intermediaries to participate – via Webex connection – to discuss the progress of the projects implemented. The event was divided into two sessions: (i) governance, business model, strategy and processes; (ii) measurement of financial risks and impacts. Factorit S.p.A. attended the meeting on 8/09/2023.

By its own provision of 1 August 2023, the Bank of Italy amended the Provisions on anti-money laundering organisation, procedures and internal controls, implementing the Guidelines published by EBA on 14/06/2022 in the document “EBA publishes Guidelines on role and responsibilities of the AML/CFT compliance officer”.

With circular protocol no. 1113351 of 12/10/2023, “Web Portal of The Banking and Financial Ombudsman”, The Banking and Financial Ombudsman (ABF), has communicated to its members the characteristics of the project to update the Web Portal of the Banking and Financial Ombudsman. As part of the project, direct interaction between the new Referee Portal and the Association’s IT systems has been envisaged; this will allow the passage of all communications from the intermediaries associated with the Ombudsman through the Association’s IT platform only. Intermediaries will still be given direct access to the Ombudsman’s Portal in read-only mode. The centralised management of each file, as noted by the Bank of Italy, will facilitate the Association’s checks on compliance with deadlines and the completeness of the documentation sent, in the interest of the associated intermediaries and the proper conduct of the ABF procedure.

In relation to the changed pandemic scenario, the survey “Covid impact - Quarterly survey IF 106 TUB” requested by the Bank of Italy since the first months of 2020 has been definitively interrupted as of the survey as of 31/03/2023.

With reference to the measures put in place by the government authorities, reference should be made to 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 5. Age range of employees

	2023							2022						
	Female			Male			Total	Female			Male			Total
Age range	**>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	20	6	0	32	15	0	73	18	7	0	36	15	0	76
Employees	18	21	1	9	19	7	75	19	23	0	10	18	6	76
Total	**38**	**27**	**1**	**44**	**35**	**7**	**152**	**37**	**30**	**0**	**49**	**34**	**6**	**156**
Of which: part-time	*5*	*6*	*0*	*0*	*0*	*0*	*11*	*4*	*8*	*0*	*0*	*0*	*0*	*12*

During the year there were 15 terminations, while 11 were hired, of which 1 person with an apprenticeship contract, 4 people with fixed-term contracts, 6 with permanent contracts. The average figure for total employees (152) does not include any weighting with reference to the 11 part-time contracts.

The number of employees as of 31 December 2023 was 152, of which 86 were men and 66 were women.

Some of the fixed-term placements are justified by the need to deal with projects of particular importance for the company.

The usual professional updating activity for all employees continued, carried out through digital tools, with training courses that made it possible to deepen the regulatory and technical knowledge of the staff. In particular, internal training was provided on digital signatures, specific aspects of anti-money laundering, ESG issues and cybersecurity. Specific courses were also provided on contracts related to the factoring and confirming product. The Company has continued to train, in accordance with the State-Regions directives on job safety, all new employees and collaborators and has provided a course on the management of work-related stress to the entire company personnel.

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.

Interest and Liquidity risk trend

With regard to the general aspects, management processes and methods for measuring interest rate risk and liquidity risk, reference should be made to the Notes to the Financial Statements Part D – Other information – Section 3 – Information on risks and related hedging policies.

Credit risk trend

As at 31 December 2023, total receivables from the balance sheet, gross of adjustments, amounted to €4,287 million. The details are as follows:

Table 6. Credit exposures – Non-performing and performing

		31/12/2023	31/12/2022	Absolute changes	Changes %	Coverage % 2023	Coverage % 2022	Net exposure on total net exposure 2023	Net exposure on total net exposure 2022
Non-performing credit exposures	Gross exposure	12.469.515	10.724.303	1.745.212	16%				
	Adjustments	9.883.200	9.711.848	171.352	2%				
	Net exposure	**2.586.315**	**1.012.455**	**1.573.860**	**155%**	79,26%	90,56%	0,061%	0,029%
Bad loans	Gross exposure	4.064.574	5.050.724	-986.150	-20%				
	Adjustments	4.051.794	5.001.973	-950.179	-19%				
	Net exposure	**12.780**	**48.751**	**-35.971**	**-74%**	99,69%	99,03%	0,000%	0,001%
Unlikely-to-pay loans	Gross exposure	8.395.744	5.668.170	2.727.574	48%				
	Adjustments	5.830.578	4.709.388	1.121.190	24%				
	Net exposure	**2.565.166**	**958.782**	**1.606.384**	**168%**	69,45%	83,08%	0,061%	0,028%
Non-performing past due exposures	Gross exposure	9.197	5.409	3.788	70%				
	Adjustments	828	487	341	70%				
	Net exposure	**8.369**	**4.922**	**3.447**	**70%**	9,00%	9,00%	0,000%	0,000%
Performing credit exposures	Gross exposure	4.274.912.633	3.529.747.591	745.165.042	21%				
	Adjustments	7.625.348	3.684.723	3.940.625	107%				
	Net exposure	**4.267.287.285**	**3.526.062.868**	**741.224.417**	**21%**	0,18%	0,10%	99,939%	99,971%
Stage 1	Gross exposure	4.240.652.883	3.468.310.618	772.342.265	22%				
	Adjustments	7.531.695	3.526.713	4.004.982	114%				
	Net exposure	**4.233.121.188**	**3.464.783.905**	**768.337.283**	**22%**	0,18%	0,10%	99,139%	98,234%
Stage 2	Gross exposure	34.259.750	61.436.973	-27.177.223	-44%				
	Adjustments	93.653	158.010	-64.357	-41%				
	Net exposure	**34.166.097**	**61.278.963**	**-27.112.866**	**-44%**	0,27%	0,26%	0,800%	1,737%
Total credit exposures	Gross exposure	4.287.382.148	3.540.471.894	746.910.254	21%				
	Adjustments	17.508.548	13.396.571	4.111.977	31%				
	Net exposure	**4.269.873.600**	**3.527.075.323**	**742.798.277**	**21%**	0,41%	0,38%	99,592%	99,622%

(amounts in Euro)

It should be noted that during the year, on the basis of the information currently available on the financial situation, a single counterparty was classified as unlikely-to-pay with a gross exposure of €4,8 million, with a coverage of €3,4 million.

During the year, losses totalling €4,4 million were recorded, which were fully covered by special provisions.

With regard to the main risk factors, the management, measurement and control systems adopted, the organisational structures in charge, the methods for measuring expected losses and risk mitigation techniques, reference should be made to the Notes to the Financial Statements Part D – Other information – Section 3 – Information on risks and related hedging policies.

Concentration of credit risk and information on equity

Also in 2023, activities aimed at ensuring careful monitoring of the risks associated with excessive concentration of the credit portfolio continued, including through the imposition of risk ceilings on major counterparties with a more pronounced risk profile.

As at 31 December 2023, 31 Groups of connected customers and individual clients were identified as “Large exposures” (20 positions in 2022). For risk positions above the limit of 25% of the eligible capital, the Parent Company guarantees, by means of sureties, the excess of the individual limit; as of 31 December 2023 five leading Connected Customer Groups exceeded this limit.

In addition, for quantitative information on Risk Concentration, “Large Exposures” and further details on Capital, please refer to the Notes to the Financial Statements Part D – Other Information – Section 3 – Information on risks and related hedging policies and Section 4 – Other information on Equity.

Going concern

The Directors’ assessments and opinions have been expressed from a going concern perspective, also in consideration of the Company’s positive historical income and financial data, which are also confirmed by the results of the 2023 financial statements, in compliance with the general principles of accurate representation of the events and prudent assessment of data, in the context of the current economic and financial scenario.

Following the directives of the Parent Company, the Company will continue its commercial action, aiming to increase the number of customers, the volumes traded, and the profitability generated by the loans provided also with the support of technological innovations, always paying attention to the quality of credit.

Other information

Pursuant to art. 2428, paragraph 3, point 1 of the Italian Civil Code, please note that your Company has not carried out research and development activities.

Information on relations with Group companies and related parties, as required by paragraph 3, point 2 of art. 2428 of the Italian Civil Code, are reported in the Other Information of the Notes.

With regard to the information referred to in paragraph 3, points 3 and 4 of art. 2428 of the Italian Civil Code, the Company declares that it does not own its own shares or those of the Parent Company, either directly or through a trust company or through an intermediary; the Company also declares that, during the 2023 financial year, it did not purchase or dispose of its own or the Parent Company’s shares, either directly or through a trust company or through an intermediary.

With regard to information on risks, referred to in paragraph 6-bis of art. 2428 of the Italian Civil Code, please refer to the Notes – Part D and to the previous paragraphs.

The company does not have secondary offices.

Outlook

As far as the factoring sector is concerned, the surveys conducted by the trade association Assifact for the year that has just begun are moderately positive, both in terms of turnover (+4,61%), in terms of outstanding (+3,11%), and in terms of average loans (+3.35%), as well as for the general estimate of operators about the expected trend of the financial result for 2023, which sees Turnover slightly down compared to 2022 (-0,49%) and a slight increase in outstanding (+0,53%) and average loans (+0,75%).

Factorit's targets for 2024 have been drawn up in line with the Group's strategic guidelines, on the basis of the expected forecasts for the performance of the Italian economy, with particular attention to GDP, taking into account the persistence of various risks to financial stability and global growth, in particular deriving from the maintenance of monetary restrictions, the slowdown in economies and persistent geopolitical tensions.

The overall picture is also weighed down by possible further inflationary pressures, the possible onset of corporate insolvencies and, last but not least, ESG transition risks, i.e. the economic impacts deriving from the adoption of the new context regulations that are already partially involving and will gradually involve the various economic sectors.

Commercial activities will therefore be increasingly oriented towards the development of synergies with the Parent Company and with the Affiliated Banks, without renouncing direct development operations, also taking into account the macroeconomic and context variables that present the risks set out above.

It is also worth mentioning, in relation to the development of the "integrated" offer on the market of banking and financial products between Factorit and the Parent Company, as part of the latter's business plan, the definition of new rules of engagement with existing customers and those to be achieved together with commercial action, where the discipline of internal and external interplays with all the components and resources/structures put in place by the Parent Company will be increasingly refined, according to the principles of supply interaction and credit risk mitigation, to oversee the joint action.

Returning to the specific scenario of the factoring market, given the expectations of moderate growth in the sector envisaged by the trade association, which portend significant competition on existing customers rather than the development of new customers by operators, they recommend a conservative strategy aimed at favoring the maintenance of their positions and customer loyalty, through the proposal of innovative products and services that can extend Factorit's offer to other companies involved in their production process. Specifically, reference is made to the development of the Confirming product, where customers' suppliers will also be involved to finalize advance payments, and to the relaunch of the Reverse Factoring platform with innovative processes and services.

All opportunities will be pursued carefully, maintaining the high objective of risk containment, as well as the improvement of the managed portfolio.

The possibility of expanding the Company's business to customers operating with the Public Administration and abroad will not be overlooked, maintaining a fair balance of volumes with the remaining portfolio.

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

It should be noted that on 6 February 2024 the Company ascertained a computer fraud that consisted of the transfer of funds to a non-EU country for a total of over 4 million Euro; investigations are still underway to ascertain what happened.

This event has no impact on the 2023 financial statements.

The loss was recorded in January 2024; it is confirmed that, considering the budget forecasts for the current year and the financial results of the first two months of the current year, there is no impact that does not guarantee business continuity.

Dear Shareholder,

we propose you approve the financial statements as at and for the year ended 31 December 2023, and the allocation of the profit for the year as follows:

Net profit for the year	Euro	32.107.100
Profits from previous year	Euro	171.240
Profits to allocate	Euro	32.278.340
Of which:		
5% of the profit to Legal Reserve	Euro	1.605.355
Dividend Euro 0,26 to each of the n. 85.000.002 outstanding shares	Euro	22.100.000
Profits to extraordinary reserve	Euro	8.387.770
Retained profits	Euro	185.215

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

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

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

Milano, 11th March 2024

On behalf of the Board of Directors

Chairman
(Roberto Ruozi)

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENT OF THE FINANCIAL STATEMENTS

The financial statements of Factorit S.p.A., consisting of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of changes in shareholders' equity, the Cash Flow Statement, the Notes to the Financial Statements and accompanied by the Directors' Report on operations, are prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB), approved by the European Commission to the pursuant to EU Regulation no. 1606 of 19 July 2002, taking into account the relevant interpretations of the International Interpretations Committee (IFRC) in force at the balance sheet date.

These financial statements have been prepared in accordance with the provisions contained in the instructions of the Governor of the Bank of Italy of 17 November 2022 "The financial statements of IFRS intermediaries other than banking intermediaries", repealing the provisions "The financial statements of IFRS intermediaries other than banking intermediaries" referred to in the Bank of Italy's Provision of 29 October 2021.

The Company's financial statements are clearly prepared and represent truthfully and fairly the financial position, the financial position, the economic result for the year, changes in the Company's Shareholders' Equity and cash flows.

The purpose of the Notes to the Financial Statements is to provide an illustration, analysis and, in some cases, an integration of the Financial Statements. It contains the information required by the instructions for the preparation of financial intermediaries' financial statements. In addition, it contains all the additional information deemed necessary to give a true and correct representation.

FINANCIAL STATEMENT

(Euro)

Assets	**31/12/2023**	**31/12/2022**
10. Cash and cash equivalents	954.715	1.913.848
30. Financial assets measured at fair value through OCI	1.041.024	793.216
40. Financial assets measured at amortised cost:	4.277.811.600	3.531.993.369
a) with banks	12.430.654	10.206.145
b) with financial institutions	584.043.482	580.355.907
c) with customers	3.681.337.464	2.941.431.317
80. Property and Equipment	16.721.377	17.937.171
90. Intangible assets	185.215	171.240
100. Tax assets	10.401.288	17.122.232
a) current	-	2.046.548
b) deferred	10.401.288	15.075.684
120. Other assets	11.307.777	14.492.164
TOTAL ASSETS	**4.318.422.996**	**3.584.423.240**

Liabilities and Equity	**31/12/2023**	**31/12/2022**
10. Financial liabilities measured at amortised cost	3.992.451.372	3.278.808.584
a) debts	3.992.451.372	3.278.808.584
60. Tax liabilities	2.408.505	4.871.665
a) current	548.078	2.832.503
b) deferred	1.860.427	2.039.162
80. Other liabilities	26.387.771	20.241.656
90. Post-employment benefits	1.856.691	1.893.425
100. Provisions for risk and charges	1.760.000	1.185.767
a) commitments and guarantees given	888.759	340.726
b) pension and similar provisions	-	-
c) other provisions for risk and charges	871.241	845.041
110. Share Capital	85.000.002	85.000.002
140. Share premium	11.030.364	11.030.364
150. Reserves	165.738.838	157.985.405
160. Valuation reserves	-317.647	-497.061
170. Profit (Loss) for the period	32.107.100	23.903.433
TOTAL LIABILITIES AND EQUITY	**4.318.422.996**	**3.584.423.240**

INCOME STATEMENT

(Euro)

Income Statement items	31/12/2023	31/12/2022
10. Interests and similar income	128.707.458	33.206.207
of which: interest income calculated using the effective interest method	128.707.458	33.206.207
20. Interests and similar expenses	-86.121.989	-5.985.691
30. NET INTEREST INCOME	**42.585.469**	**27.220.516**
40. Fee and commission income	37.398.128	29.941.015
50. Fee and commission expenses	-4.894.514	-4.243.998
60. NET FEE AND COMMISSION INCOME	**32.503.614**	**25.697.017**
70. Dividends and similar income	30.185	29.126
80. Net trading income	-59.098	28.152
120. TOTAL INCOME	**75.060.170**	**52.974.811**
130. Net adjustments/write-backs for credit risk related to:	-8.063.452	797.510
a) financial assets measured at amortised cost	-8.063.452	797.510
b) financial assets measured at fair value through OCI	-	-
150. NET FINANCIAL INCOME	**66.996.718**	**53.772.321**
160. Administrative expenses:	-18.542.420	-17.731.056
a) personnel expenses	-13.364.527	-12.447.609
b) other administrative expenses	-5.177.893	-5.283.447
170. Net accruals to provisions for risk and charges	-548.033	-49.338
a) commitments and guarantees given	-548.033	-49.338
b) other net accruals	-	-
180. Depreciation and net impairment losses on property and equipment	-1.350.901	-1.285.911
190. Amortisation and net impairment losses on intangible assets	-75.282	-297.384
200. Other operating income/expenses	878.415	863.591
210. OPERATING COSTS	**-19.638.221**	**-18.500.098**
250. Profits (Losses) on disposal of investments	2.721	8.017
260. PRE-TAX PROFIT FROM CONTINUING OPERATIONS	**47.361.218**	**35.280.240**
270. Taxes on income from continuing operations	-15.254.118	-11.376.807
280. POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS	**32.107.100**	**23.903.433**
300. PROFIT (LOSS) FOR THE PERIOD	**32.107.100**	**23.903.433**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

	31/12/2023	31/12/2022
10.Profit (loss) for the period	**32.107.100**	**23.903.433**
Other comprehensive income (net of tax) that may not be reclassified to the income Statement		
20.Equity instruments designated at fair value through OCI	175.211	(270.670)
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	4.203	83.994
80.Non-current assets held for sale and disposal groups	-	-
90.Share of valuation reserves of equity-accounted investees	-	-
Other income items net of income taxes that may be reclassified subsequently 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 equity securities) measured at fair value through other comprehensive income	-	-
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 income taxes	**179.414**	**(186.676)**
180.Total Comprehensive income (Item 10+170)	**32.286.514**	**23.716.757**

CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2023

(Euro)

	Opening balance at 31/12/2022	Changes in opening balances	Opening balance at 01/01/2023	Allocation of prior year result		Changes of the year							Total comprehensive income 31/12/2023	Equity 31/12/2023
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Other			
Share capital	85.000.002		85.000.002	-	-	-	-	-	-	-	-		-	85.000.002
Share Premium	11.030.364	-	11.030.364	-	-	-	-	-	-	-	-		-	11.030.364
Reserves:														
a) retained earnings	148.816.203	-	148.816.203	7.753.433		-	-	-	-	-	-		-	156.569.636
b) others	9.169.202	-	9.169.202	-	-	-	-	-	-	-	-		-	9.169.202
Valuation reserves	(497.061)	-	(497.061)	-	-	-	-	-	-	-	-		179.414	(317.647)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-		-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-		-	-
Profit (Loss) for the period	23.903.433	-	23.903.433	(7.753.433)	(16.150.000)	-	-	-	-	-	-		32.107.100	32.107.100
Equity	277.422.143	-	277.422.143	-	(16.150.000)	-	-	-	-	-	-		32.286.514	293.558.657

CHANGES IN SHAREHOLDERS' EQUITY AS AT 31/12/2022

(Euro)

	Opening balance at 31/12/2021	Changes in opening balances	Opening balance at 01/01/2022	Allocation of prior year result		Changes of the year						Total comprehensive income 31/12/2022	Equity 31/12/2022
							Equity transactions						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Other		
Share capital	85.000.002	-	85.000.002	-	-	-	-	-	-	-	-	-	85.000.002
Share Premium	11.030.364	-	11.030.364	-	-	-	-	-	-	-	-	-	11.030.364
Reserves:													
a) retained earnings	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	23.903.433
Equity	264.755.388	-	264.755.388	-	(11.050.000)	-	-	-	-	-	-	23.716.757	277.422.143

STATEMENT OF CASH FLOWS

(Euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/2023	**31/12/2022**
1. OPERATIONS	**34.508.992**	**13.532.673**
- profit or loss for the period (+/-)	32.107.100	23.903.433
- gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	59.098	(28.152)
- capital gains/losses on hedged assets	-	-
- net losses/recoveries for credit risk (+/-)	8.063.452	(797.510)
- net adjustments/recoveries on property, equipment and intangible assets (+/-)	1.426.183	1.583.295
- provisions for risks and charges and other costs/revenues (+/-)	548.033	49.338
- unpaid taxes, duties and tax credits (+)	10.844.974	9.185.347
- other adjustments (+/-)	(18.539.848)	(20.363.078)
2. CASH GENERATED/ABSORBED BY FINANCIAL ASSETS	**(738.207.256)**	**(616.589.410)**
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- financial assets mandatorily measured at fair value	-	-
- financial assets measured at fair value through OCI	(247.808)	373.338
- financial assets measured at amortised cost	(745.818.231)	(606.253.222)
- other assets	7.858.783	(10.709.526)
3. CASH GENERATED/ABSORBED BY FINANCIAL LIABILITIES	**719.086.010**	**603.050.647**
- financial liabilities measured at amortised cost	713.642.788	602.279.424
- financial liabilities held for trading	-	-
- financial liabilities measured at fair value	-	-
- other liabilities	5.443.222	771.223
Net cash generated/absorbed by operating activities	**15.387.746**	**(6.090)**
B. INVESTING ACTIVITIES		
1. CASH GENERATED BY	**2.721**	**8.800**
- sales of property and equipment	2.721	8.800
- sales of intangible assets	-	-
- sales of business units	-	-
2. CASH ABSORBED BY	**(199.600)**	**(126.293)**
- purchases of property, equipment and investment property	(110.343)	(69.057)
- purchases of intangible assets	(89.257)	(57.236)
- purchase of business units	-	-
Net cash generated/absorbed by investing activities	**(196.879)**	**(117.493)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend and other distributions	(16.150.000)	-
Net cash flows generated/absorbed by financing activities	**(16.150.000)**	**-**
TOTAL NET CASH FLOWS FOR THE YEAR	**(959.133)**	**(123.583)**

RECONCILIATION	Amount	
	31/12/2023	**31/12/2022**
Opening cash and cash equivalents balance	**1.913.848**	**2.037.431**
Total net cash flows for the year	(959.133)	(123.583)
Closing cash and cash equivalents balance	**954.715**	**1.913.848**

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON DECEMBER 31ST 2023

PART A *Accounting policies*

A.1 – GENERAL INFORMATION

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) endorsed by the European Union with Regulation (EC) no. 1606/2002, and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), applicable at the reporting date, integrated by the "Instructions for the preparation of the financial statements of IFRS financial intermediaries different from 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 Euro, 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 Items 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 Item'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 Items affected by the change are indicated as well as the effects on the company's financial position, financial performance and cash flows. Items 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 Items.

Section 3 *Significant subequent events after the year end*

The Board of Directors authorized the publication of the Financial Statements on March the 11th, 2024.
It should be noted that on 6 February 2024 the Company ascertained a computer fraud that consisted of the transfer of funds to a non-EU country for a total of over 4 million Euro; investigations are still underway to ascertain what happened. This event has no impact on the 2023 financial statements.
The loss was recorded in January 2024; it is confirmed that, considering the budget forecasts for the current year and the financial results of the first two months of the current year, there is no impact that does not guarantee business continuity.

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 the 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 continuity, excluding the possibility of forced sales of the assets being valued. The related disclosure details are provided in the commentary on the accounting policies relating to the balance sheet aggregates.
The company defined the estimate's processes 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 the 31st, 2023.
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 2023.

New International accounting principles validated and applied in the writing of financial statements of 31 December 2023

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, will follow, highlighting which ones were applied in the financial statement of 2023 and those mandatory for periods after 2023.

New documents issued by the IASB, approved by the UE and to be applied in the financial statements of 2023:

- 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".
- 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 inhomogeneity in the recording of deferred tax assets and liabilities on such operations. The application of such amendments had no impact on the 2023 financial statements.
- 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.
- Regulation (EU) 2023/2468 of 8 November 2023 amending Regulation (EU) No 1803/2023 as regards IFRS 12. The amendments introduced a temporary exception to the accounting of deferred taxes resulting from the implementation of the OECD Pillar II Model Rules, as well as targeted disclosures for the entities concerned.

New accounting standards, amendments and interpretations whose application will be mandatory after 31 December 2023:

- Regulation (EU) 2023/2579 of 20 November 2023 amending Regulation (EU) 2023/1803 as regards IFRS 16. The amendments to IFRS 16 specify how the selling lessee subsequently evaluates the sale and lease transactions. The changes are applicable from 1 January 2024.

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 amendment includes:

- 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.
- IFRS 14 Regulatory deferral accounts. IFRS 14 allows only those adopting IFRS for the first time to continue to book amounts relating to rate regulation according to the previous accounting standards adopted. Approval process suspended pending new accounting standard on “rate-regulated activities”.
- Amendments to IAS 7 and IFRS 9 for supplier financing arrangements. These amendments are intended to improve the transparency of supplier financing arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.
- Amendments to IAS 21. The effects of changes in exchange rates. The purpose of these amendments is to specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.
- Amendments to IAS 28 and IFRS 10. These amendments are intended to address the inconsistency between the requirements of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. The endorsement process is suspended pending conclusion of IASB project on the equity method.

With regard to the determination of expected losses on non-performing loans, please refer to Section 3 – Information on risks and related hedging policies, in the Credit Risk Section.
For the information required by paragraph 125 of IAS 1, which requires disclosure of forward-looking assumptions and other principal causes of uncertainty in the estimates at the end of the year that present a material risk of giving rise to significant adjustments to the carrying amounts of assets and liabilities within the following period, in Section 3 – Information on risks and related hedging policies, the evolution dynamics of the main macro-factors (gross domestic product, unemployment and inflation) over a three-year forecast horizon are provided with the related simulations carried out. As regards, in

particular, the determination of expected losses on financial instruments not measured at fair value with an impact on the income statement as at 31 December 2023, these have been estimated on the basis of all reasonable and demonstrable information at the reference date as well as that recognised subsequently, 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. on 31 December 2025.

A.2 – MAIN 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 Item are entered on the date of settlement. The financial assets measured at fair value are initially registered based on the fair value that normally correspond to the current value of the fee paid to acquire it, including, for credits and for securities longer than the short term, any transaction costs or revenues attributable specifically to each credit or title.
About debt securities and funds, any business model changes attributable to the lack of consistency between portfolio management and the chosen business model, or due to significant changes in strategic choices, will be decided by the Board of directors and in this place will be defined any reclassification.
Regarding equity securities there is no possibility of reclassification. The execution of the FVOCI 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 FVOCI 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 Item 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, analysing 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 certain 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 in case 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 are based 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 recoverable amount and the related amortised cost. The recoverable amount is the present value of expected future cash flows calculated on the following basis:

a) contractual cash flows net of expected losses, estimated considering the debtor’s ability to meet its commitments and the realizable value of any collateral or personal guarantees given;
b) the expected recovery time, estimated considering the procedures in place to recover the exposure;
c) the internal rate of return.

More specifically, 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”.

With regard to the “non-performing past due”, a classification that takes place at Group level, the Company applies an individual write-down on a collective basis, i.e. applying to each receivable an equal write-down percentage for all parties in the same situation. This percentage has been determined on the basis of internal management statistics and 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 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 criteria

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 performed.

8.4 Derecognition criteria

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

8.5 Recognition and costs and revenues

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

a) depreciation, impairment losses and reversals of impairment losses are recognized in "Depreciation and net impairment losses on property and equipment";
b) gains and losses on the sale of these assets are recognised in "Gains/losses on the sale of investments".

Section 9 *Intangible Assets*

9.1 Recognition criteria

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

9.2 Classification criteria

The Item 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 incurred costs remain in the pertinent item;
- for assets not yet exploited, its related costs are excluded and recorded in a specific account "Increase in intangibles – 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 "Profits (Losses) on disposal 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 exceptions 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 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 Parent 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 Parent 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 “Taxes on income from continuing operations”, 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 Classification 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 are financial 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 to 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 revenues

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

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 revenues

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 item 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 fulfil 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 fulfil the obligation; or a reliable estimate can be made of the amount necessary to fulfil the obligation.

10.3 Recognition of costs and revenues

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 Euro 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 VALUE 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: measurement 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 items 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	975.948	-	65.076	1.041.024
3. Hedging derivatives	-	-	-	-
4. Property and equipment	-	-	-	**-**
5. Intangible assets	-	-	-	**-**
Total	975.948	-	65.076	**1.041.024**
1. Financial liabilities held for trading	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-
3. Hedging derivatives	-	-	-	-
Total	-	-	-	-

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through OCI	Hedging derivatives	Property and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	-	-	-	-	**65.076**	-	-	-
2. Increases	-	-	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Profits charged to:	-	-	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-	-	-
Of which: profits	-	-	-	-	-	-	-	-
2.2.2 Equity	-	-	-	-	-	-	-	-
2.3. Transfer from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses charged to:	-	-	-	-	-	-	-	-
3.3.1 Income statement	-	-	-	-	-	-	-	-
Of which: capital loss	-	-	-	-	-	-	-	-
3.3.2 Equity	-	-	-	-	-	-	-	-
3.4. Transfer from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
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 and liabilities not measured at fair value or measured at fair value not on a recurring basis: breakdown by fair value level	31/12/2023				31/12/2022			
	CV	L1	L2	L3	CV	L1	L2	L3
1. Financial assets measured at amortised cost	4.277.811.600	-	-	4.277.811.600	3.531.993.369	-	-	3.531.993.369
2. Tangible assets held for investments	-	-	-	-	-	-	-	-
3. Non-current assets held for trade and disposal groups	-	-	-	-	-	-	-	-
Total	**4.277.811.600**	**-**	**-**	**4.277.811.600**	**3.531.993.369**	**-**	**-**	**3.531.993.369**
1. Financial liabilities measured at amortised cost	3.992.451.372	-	-	3.992.451.372	3.278.808.584	-	-	3.278.808.584
2. Liabilities associated to assets disposal	-	-	-	-	-	-	-	-
Total	**3.992.451.372**	**-**	**-**	**3.992.451.372**	**3.278.808.584**	**-**	**-**	**3.278.808.584**

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 Information of the balance sheet

ASSETS

Section 1 Cash and cash equivalents

	31/12/2023	31/12/2022
a) Cash	1.629	1.645
c) Checking accounts and demand deposits with banks	953.086	1.912.203
Total	**954.715**	**1.913.848**

Section 3 Financial assets measured at fair value through OCI

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

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

Captions/Amounts	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	-	-	-	-	-	-
1.1. Structured	-	-	-	-	-	-
1.2. Others	-	-	-	-	-	-
2. Equity Instruments	975.948	-	65.076	728.140	-	65.076
3. Loans	-	-	-	-	-	-
Total	**975.948**	-	**65.076**	728.140	-	**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 22nd, 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 31/12/2022, whose value would have been approximately of Euro 95.000.
- 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

	31/12/2023	31/12/2022
1. Debt instruments	-	-
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions	-	-
of which: insurance institutions	-	-
d) Non-financial institutions	-	-
2. Equity instruments	1.041.024	793.216
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions	-	-
of which: insurance institutions	-	-
d) Non-financial institutions	1.041.024	793.216
3. Loans	-	-
a) Public administrations	-	-
b) Banks	-	-
c) Other financial institutions	-	-
of which: insurance institutions	-	-
d) Non-financial institutions	-	-
e) Households	-	-
Total	**1.041.024**	**793.216**

Section 4 *Financial assets measured at amortised cost*

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

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

Breakdown	31/12/2023						31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3
1. Time deposits	-	-	-	-	-	-	-	-	-	-	-	-
2. Checking Accounts	-	-	-	-	-	-	-	-	-	-	-	-
3. Loans	**7.616.296**	-	-	-	-	**7.616.296**	**5.349.487**	-	-	-	-	**5.349.487**
3.1 Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Factoring	7.616.296	-	-	-	-	7.616.296	5.349.487	-	-	-	-	5.349.487
- with recourse	-	-	-	-	-	-	-	-	-	-	-	-
- without recourse	7.616.296	-	-	-	-	7.616.296	5.349.487	-	-	-	-	5.349.487
3.4 Other Loans	-	-	-	-	-	-	-	-	-	-	-	-
4. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
4.2 others	-	-	-	-	-	-	-	-	-	-	-	-
5. Other assets	**4.814.358**	-	-	-	-	**4.814.358**	**4.856.658**	-	-	-	-	**4.856.658**
Total	**12.430.654**	-	-	-	-	**12.430.654**	**10.206.145**	-	-	-	-	**10.206.145**

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.
Item 5 “Other assets” is constituted, for Euro 4.811.326, by sums advanced to Assignors 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 from financial institutions

Breakdown	31/12/2023						31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3
1. Loans	**580.919.841**	-	-	-	-	**580.919.841**	**580.294.519**	-	-	-	-	**580.294.519**
1.1 Reverse repurchase agreement	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Factoring	521.048.065	-	-	-	-	521.048.065	509.014.042	-	-	-	-	509.014.042
- with recourse	519.926.227	-	-	-	-	519.926.227	505.803.903	-	-	-	-	505.803.903
- without recourse	1.121.838	-	-	-	-	1.121.838	3.210.139	-	-	-	-	3.210.139
1.4 Other loans	59.871.776	-	-	-	-	59.871.776	71.280.477	-	-	-	-	71.280.477
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	**3.123.641**	-	-	-	-	**3.123.641**	**61.388**	-	-	-	-	**61.388**
Total	**584.043.482**	-	-	-	-	**584.043.482**	**580.355.907**	-	-	-	-	**580.355.907**

The fair value of loans and receivables from 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 from customers

Breakdown	31/12/2023						31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Of which: Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: Purchased or originated impaired	L1	L2	L3
1. Loans	**3.678.751.149**	**2.586.315**	-	-	-	**3.681.337.464**	**2.940.418.862**	**1.012.455**	-	-	-	**2.941.431.317**
1.1 Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
of which: without purchase option	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Factoring	3.267.462.119	1.208.439	-	-	-	3.268.670.558	2.767.483.270	998.385	-	-	-	2.768.481.655
- with recourse	1.234.086.729	1.078.235	-	-	-	1.235.164.964	1.299.008.957	986.238	-	-	-	1.299.995.195
- without recourse	2.033.375.390	130.204	-	-	-	2.033.505.594	1.468.474.313	12.147	-	-	-	1.468.486.460
1.3 Consumer lending	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-	-	-	-	-	-	-
1.5 Pawn loans	-	-	-	-	-	-	-	-	-	-	-	-
1.6 Loans granted in relation	-	-	-	-	-	-	-	-	-	-	-	-
to payment services provided	-	-	-	-	-	-	-	-	-	-	-	-
1.7 Other Loans	411.289.030	1.377.876	-	-	-	412.666.906	172.935.592	14.070	-	-	-	172.949.662
of which: from the enforcement of guarantees and commitments	-	-	-	-	-	-	-	-	-	-	-	-
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-	-	-	-	-
3. Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3.678.751.149**	**2.586.315**	-	-	-	**3.681.337.464**	**2.940.418.862**	**1.012.455**	-	-	-	**2.941.431.317**

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 Loans" includes:

- Euro 3.327.206 of accrued charges due from assigned debtors on payment extensions granted to them;
- Euro 168.218.957 of advances for assignments for loans and receivables that do not fall under the scope of Law no. 52/91;
- Euro 239.742.867 related to Other Loans.

The non-performing "Other Loans" includes just one credit exposure.

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

	31/12/2023			31/12/2022		
Type of operations/Amounts	**First and second stage**	**Third stage**	**of which: purchased or originated credit impaired financial assets**	**First and second stage**	**Third stage**	**of which: purchased or originated credit impaired financial assets**
1. Debt instruments	**-**	**-**	**-**	**-**	**-**	**-**
a) Public administrations	-	-	-	-	-	-
b) Non-financial institutions	-	-	-	-	-	-
2. Loans from:	**3.678.751.149**	**2.586.315**	-	**2.940.418.862**	**1.012.455**	-
a) Public administrations	221.096.127	750	-	275.558.951	4.922	-
b) Non-financial institutions	3.267.628.128	2.484.954	-	2.451.365.754	937.471	-
c) Households	190.026.894	100.611	-	213.494.157	70.062	-
3. Other assets	-	-	-	-	-	-
Total	**3.678.751.149**	**2.586.315**	-	**2.940.418.862**	**1.012.455**	-

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

	Gross amount					Total adjustments				
	First stage									
		Of which: Instruments with low credit risk	Second stage	Third stage	Of which: purchased or originated impaired	First stage	Second stage	Third stage	Of which: purchased or originated impaired	Total partial write-off
Debt instruments	-	-	-	-	-	-	-	-	-	-
Loans	4.240.652.885	-	34.259.749	12.469.515	-	7.531.695	93.653	9.883.200	-	8.054.761
Other assets	7.937.999	-	-	-	-	-	-	-	-	-
31/12/2023	**4.248.590.884**	**-**	**34.259.749**	**12.469.515**	**-**	**7.531.695**	**93.653**	**9.883.200**	**-**	**8.054.761**
31/12/2022	**3.473.228.664**	**-**	**61.436.973**	**10.724.303**	**-**	**3.526.713**	**158.010**	**9.711.848**	**-**	**32.472.412**

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2023						31/12/2022					
	Loans and receivables from banks		Loans and receivables from financial institutions		Loans and receivables from customers		Loans and receivables from banks		Loans and receivables from financial institutions		Loans and receivables from customers	
	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV	CA	FV
1. Performing assets guaranteed by:	**31.225**	**31.225**	**517.890.032**	**517.890.032**	**1.786.644.116**	**1.751.261.764**	**33.085**	**33.085**	**524.543.412**	**524.543.412**	**1.739.921.526**	**1.652.227.169**
– Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
– Factoring receivables	-	-	512.285.356	512.285.356	1.111.034.674	1.111.034.675	-	-	497.434.187	497.434.187	1.214.155.852	1.214.155.852
– Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
– Pawns	-	-	-	-	-	-	-	-	-	-	-	-
– Personal guarantees	31.225	31.225	5.604.676	5.604.676	675.609.442	640.227.089	33.085	33.085	27.109.225	27.109.225	525.765.674	438.071.317
– Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
2. Not performing assets guaranteed by:	-	-	-	-	**1.048.211**	**1.048.211**	-	-	-	-	**776.129**	**776.129**
– Assets under finance lease	-	-	-	-	-	-	-	-	-	-	-	-
– Factoring receivables	-	-	-	-	1.048.211	1.048.211	-	-	-	-	769.402	769.402
– Mortgages	-	-	-	-	-	-	-	-	-	-	6.727	6.727
– Pawns	-	-	-	-	-	-	-	-	-	-	-	-
– Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
– Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-
Total	**31.225**	**31.225**	**517.890.032**	**517.890.032**	**1.787.692.327**	**1.752.309.975**	**33.085**	**33.085**	**524.543.412**	**524.543.412**	**1.740.697.655**	**1.653.003.298**

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 guaranteed 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 item 80 is illustrated in this section.

8.1 Property and equipment: assets measured at cost

Assets/Amounts	31/12/2023	31/12/2022
1. Owned	**139.416**	**84.687**
a) land	-	-
b) buildings	-	-
c) furniture	10.663	13.619
d) electronic systems	38.033	36.425
e) others	90.720	34.643
2. Rights of use under leasing	**16.581.961**	**17.852.484**
a) land	-	-
b) buildings	16.529.824	17.788.476
c) furniture	-	-
d) electronic systems	-	-
e) others	52.137	64.008
Total	**16.721.377**	**17.937.171**
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 16.455.998.

8.6 Property and equipment: annual changes

	Land	Buildings	Furniture	Electronic Systems	Others	Total
A. Gross opening balance	-	**19.985.070**	**398.973**	**167.370**	**594.500**	**21.145.913**
A.1 Total net impairment losses	-	2.196.594	385.354	130.945	495.849	3.208.742
A.2 Net opening balance	-	**17.788.476**	**13.619**	**36.425**	**98.651**	**17.937.171**
a) Adjustment opening balance (IAS 8)	-	-	-	-	-	-
B. Increases	-	**6.605**	**99**	**16.786**	**111.670**	**135.160**
B.1 Purchases	-	-	99	16.786	93.458	110.343
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	-	6.605	-	-	18.212	24.817
C. Decreases	-	**1.265.257**	**3.055**	**15.178**	**67.464**	**1.350.954**
C.1 Sales	-	-	-	-	-	
C.2 Depreciation	-	1.265.257	3.002	15.178	67.464	1.350.901
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 Transfers to:	-	-	-	-	-	-
a)Investments properties	-	-	-	-	-	-
b) disposal groups	-	-	-	-	-	-
C.7 Others decreases	-	-	53	-	-	53
D. Net closing balance	-	**16.529.824**	**10.663**	**38.033**	**142.857**	**16.721.377**
D.1 Total net impairment losses	-	3.461.851	387.685	83.157	532.154	4.464.847
D.2 Gross closing balance	-	**19.991.675**	**398.348**	**121.190**	**675.011**	**21.186.224**
E. Measurement at cost	-	**16.529.824**	**10.663**	**38.033**	**142.857**	**16.721.377**

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

	Land	Buildings	Furniture	Electronic Systems	Others	Total
A. Gross opening balance	-	**19.985.070**	**-**	**-**	**94.418**	**20.079.488**
A.1 Total net impairment losses	-	2.196.594	-	-	30.410	2.227.004
A.2 Net opening balance	**-**	**17.788.476**	**-**	**-**	**64.008**	**17.852.484**
a) Adjustment opening balance (IAS 8)	**-**	**-**	**-**	**-**	**-**	
B. Increases	**-**	**6.605**	**-**	**-**	**18.212**	**24.817**
B.1 Purchases	-	-	-	-	-	**-**
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	-	6.605	-	-	18.212	**24.817**
C. Decreases	**-**	**1.265.257**	**-**	**-**	**30.083**	**1.295.340**
C.1 Sales	-	-	-	-	-	**-**
C.2 Depreciation	-	1.265.257	-	-	30.083	**1.295.340**
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 Transfers to:	-	-	-	-	-	**-**
a)Investments properties	-	-	-	-	-	**-**
b) disposal groups	-	-	-	-	-	**-**
C.7 Others decreases	-	-	-	-	-	**-**
D. Net closing balance	**-**	**16.529.824**	**-**	**-**	**52.137**	**16.581.961**
D.1 Total net impairment losses	-	3.461.851	-	-	60.493	**3.522.344**
D.2 Gross closing balance	-	**19.991.675**	**-**	**-**	**112.630**	**20.104.305**
E. Measurement at cost	-	**16.529.824**	**-**	**-**	**52.137**	**16.581.961**

Section 9 *Intangible assets*

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

9.1 Intangible assets: composition

Captions/Measurement	31/12/2023		31/12/2022	
	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	185.215	-	171.240	-
- internally generated assets	-	-	-	-
- other	185.215	-	171.240	-
2.2 Under finance lease	-	-	-	-
Total 2	**185.215**	**-**	**171.240**	**-**
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)	**185.215**	**-**	**171.240**	**-**

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**171.240**
B. Increases	**89.257**
B.1 Purchases	89.257
B.2 Reversal of impairment losses	-
B.3 Fair value gains recognized in:	-
- equity	-
- profit & loss	-
B.4 Other increases	-
C. Decreases	**75.282**
C.1 Sales	-
C.2 Amortisation	75.282
C.3 Impairment losses recognized in:	-
- equity	-
- profit & loss	-
C.4 Fair value losses recognized in:	-
- equity	-
- profit & loss	-
C.5 Other decreases	-
D. Closing balance	**185.215**

Section 10 *Tax assets and liabilities*

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 31/12/2023	Total 31/12/2022
Current tax assets	-	2.046.548
Deferred tax assets (through equity)	115.415	215.680
Deferred tax assets (through profit & loss)	10.285.873	14.860.004
Total	**10.401.288**	**17.122.232**

Deferred tax assets refer to taxes generated by costs charged as a contra-entry to the income statement and balance sheet, the deductibility of which is deferred to subsequent years in accordance with the tax provisions in force. Deferred tax assets recorded mainly refer to write-downs on receivables not yet deducted governed by Legislative Decree 83/2015 and subsequent amendments for an amount of €9,7 million, to provisions for risks of €0,6 million and for the remaining portion to changes in the actuarial profit/loss of pension funds that occurred during the year.
DTAs relating to write-downs on receivables recorded in the Financial Statements up to the current financial year as at 31/12/2014 and 25% of write-downs relating to 2015 meet the requirements of Law no. 214 of 22 December 2011 and can therefore be converted into tax credits in the event of recognition of a statutory loss, a tax loss for IRES purposes and a negative net value of production for IRAP purposes; their recovery is therefore certain.
For the remaining non-convertible tax assets, the recognition took place after verification of their recoverability through the execution of the so-called probability test.

10.2 "Tax liabilities: current and deferred": composition

Denominations	Total 31/12/2023	Total 31/12/2022
Current tax liabilities	548.078	2.832.503
Deferred tax liabilities (through equity)	1.748.221	2.039.162
Deferred tax liabilities (through profit & loss)	112.206	-
Total	**2.408.505**	**4.871.665**

Factorit S.p.A. adheres to the tax consolidation scheme of the Banca Popolare di Sondrio Group.
The current tax liabilities as of 31 December 2023 show the payable to the Treasury referred to IRAP net of the advances pertaining to the year paid.
"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)

	31/12/2023	31/12/2022
1. Opening balance	**14.860.004**	**17.051.491**
2. Increases	**386.125**	**13.568**
2.1 Deferred tax assets recognized in the year	386.125	13.568
a) related to previous year	1.114	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	385.011	13.568
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**4.960.256**	**2.205.055**
3.1 Deferred tax assets recognized in the year	4.960.256	2.205.055
a) reversals	4.960.256	2.205.055
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	**10.285.873**	**14.860.004**

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

	31/12/2023	31/12/2022
1. Opening balance	**14.532.107**	**16.737.162**
2. Increases	**-**	**-**
3. Decreases	**4.782.047**	**2.205.055**
3.1 Reversals	4.782.047	2.205.055
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	**9.750.060**	**14.532.107**

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

	31/12/2023	31/12/2022
1. Opening balance	**-**	**27**
2. Increases	**263.800**	**-**
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	263.800	-
3. Decreases	**151.594**	**27**
3.1 Deferred tax liabilities derecognized in the year	151.594	27
a) reversals	151.594	-
b) due to changes in accounting policies	-	-
c) other	-	27
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**112.206**	**0**

10.5 Changes in deferred tax assets (recognized in equity)

	31/12/2023	31/12/2022
1. Opening balance	**215.680**	**144.872**
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	**100.265**	**49.335**
3.1 Deferred tax liabilities derecognized in the year	52.813	49.335
a) reversals	52.813	-
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	49.335
3.2 Decrease in tax rates	-	-
3.3 Other decreases	47.452	-
4. Closing balance	**115.415**	**215.680**

This table is composed by deferred tax assets on actuarial gains/losses from the valuation of the post-employment benefit provision and deferred tax assets on the adjustment of equity instruments recognised in the financial assets measured at fair value through OCI portfolio.

10.6 Changes in deferred tax liabilities (recognized in equity)

	31/12/2023	31/12/2022
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	**290.941**	**-**
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	290.941	-
4. Closing balance	**1.748.221**	**2.039.162**

Section 12 *Other assets*

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

12.1 "Other assets": Breakdown

	31/12/2023	31/12/2022
Tax credits (not classifiable as tax assets)	123.171	208.070
Credit to Parent Company for tax consolidation	7.491.596	5.039.681
Purchase of tax credits	844.807	-
Items in transit not yet posted to destination accounts	1.919.550	8.501.362
Guarantee deposits	18.857	22.080
Advances to suppliers	1.500	5.320
Prepayments and accrued income not recognisable under a	726.183	540.058
specific caption	182.113	175.593
Total	**11.307.777**	**14.492.164**

The item "tax credits" contains the amount of Euro 102.178 referred to the virtual stamp duty.
The item "purchase of tax credits" represents the credit purchased by two counterparties relating to the operating costs of cinemas, pursuant to Article 8 of the "National Production Tax Credit Decree" or Article 31 of the "Other Tax Credit Decree", which will be offset in January 2024.
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 item 10 is illustrated in this section.

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

Items	31/12/2023			31/12/2022		
	with banks	with financial institutions	with customers	with banks	with financial institutions	with customers
1. Loans	3.435.192.448	-	-	3.202.114.549	-	-
1.1 Reverse repurchase agreement	-	-	-	-	-	-
1.2 other loans	3.435.192.448	-	-	3.202.114.549	-	-
2. Lease liabilities	609.639	-	16.165.396	854.257	-	17.120.587
3. Other liabilities	5.264.307	474.307.587	60.911.995	3.374.107	21.599.461	33.745.623
Total	**3.441.066.394**	**474.307.587**	**77.077.391**	**3.206.342.913**	**21.599.461**	**50.866.210**
Fair value – level 1	-	-	-	-	-	-
Fair value – level 2	-	-	-	-	-	-
Fair value – level 3	3.441.066.394	474.307.587	77.077.391	3.206.342.913	21.599.461	50.866.210
Total fair value	**3.441.066.394**	**474.307.587**	**77.077.391**	**3.206.342.913**	**21.599.461**	**50.866.210**

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 largely attributable to a transaction with a Corporate counterparty that provided for the outright purchase of receivables whose payment is deferred with respect to the time of the assignment.

Due to banks include:

Description	Amount
Due to the Parent Company	2.956.415.704
Sight deposits	140.883.598
Hot Money at Maturity	199.000.000
Accrued expenses on hot money	944.149
Foreign currency advances	140.832.009
Accrued expenses for advances in foreign currency	436.397
Commissions to be paid	510.423
Due to principals	777.550
Supplier invoices and supplier invoices to be received	1.266.564
Total	**3.441.066.394**

1.5 Lease liabilities

Outgoing financial flows for leasing.

Liabilities / Amounts	Lease Liability Amount 01/01/2023	Financial flows	Interests	Other changes	Carrying Amount 31.12.2023
Properties	17.912.005	(1.376.917)	182.195	6.605	16.723.888
Cars	62.839	(30.597)	1.093	17.812	51.147
Others	-	-	-	-	-
Total	**17.974.844**	**(1.407.514)**	**183.288**	**24.417**	**16.775.035**

At 31.12.2023 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	1.340.914	4.797.460	6.694.793	5.248.370
Cars	25.324	27.288	-	-
Others	-	-	-	-
Total	**1.366.238**	**4.824.748**	**6.694.793**	**5.248.370**

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 item 80 is illustrated in this section.

8.1 "Other liabilities": breakdown

	31/12/2023	31/12/2022
Taxes payable	637.286	558.411
Tax consolidation	7.187.123	6.352.844
Personnel	362.180	253.932
Social security institutions	642.639	547.879
Suppliers	632.333	712.360
Invoices to be received	338.416	467.874
Amounts to be credited under processing	7.650.066	3.107.362
Directors and Statutory auditors	26.000	23.920
Others	8.911.728	8.217.074
Total	**26.387.771**	**20.241.656**

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 6.852.620 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 1.283.213 for unallocated deferred income and Euro 775.893 for residual items.

Section 9 *Post emplyment benefits*

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

9.1 Post-employment benefits: annual changes

	31/12/2023	31/12/2022
A. Opening balance	**1.893.425**	**2.014.551**
B. Increases	**54.356**	**3.795**
B.1 Accruals	54.356	3.795
B.2 Other increases	-	-
C. Decreases	**91.090**	**124.921**
C.1 Payments	85.293	9.068
C.2 Other decreases	5.797	115.853
D. Closing balance	**1.856.691**	**1.893.425**

The amount, calculated according to the national legislation, amounts to 1.882.686. 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 criteria 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:

	31/12/2023	31/12/2022
Technical discount rate	3,02%	0,19%
Annual inflation rate	2024: 2,40% SUCC.: 2,00%	1,50%
Average annual rate of performance increase	PEREQUAZIONE	-

Regarding the average discount rate, the value of the I-Boxx Corporates EUR AA 5-7 recorded on December 15th, 2023 was taken as a reference.

Section 10 *Provisions for risks and charges*

This section illustrates the liabilities account relating to Item 100.

10.1 Provisions for risks and charges: composition

Description/Amount	31/12/2023	31/12/2022
1. Provisions for credit risk related to commitments and financial guarantees issued	888.759	340.726
2. Provisions for other commitments and other guarantees issued	-	-
3. Company retirement funds	-	-
4. Other provisions	871.241	845.041
4.1. legal and tax disputes	-	-
4.2. personnel expenses	871.241	845.041
4.3. others	-	-
Total	**1.760.000**	**1.185.767**

Subheading "1. Provisions for credit risk relating to commitments and financial guarantees issued" refers to value adjustments (stage 1 and stage 2) calculated on commitments and "committed lines" issued to certain high-standing customers according to the methodologies defined following the introduction of IFRS 9; For adjustments to non-performing positions, write-downs are analytically affixed.
The sub-item "Personnel expenses" is entirely made up of appropriations for productivity bonuses.

10.2 Provisions for risks and charges: annual change

	Provisions for other commitments and other guarantees given	Pension funds	Others	Total
A. Opening balance	**-**	**-**	**845.041**	**845.041**
B. Increases	**-**	**-**	**646.073**	**646.073**
B.1 Accruals	-	-	646.073	646.073
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**619.873**	**619.873**
C.1 Utilization	-	-	619.873	619.873
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other decreases	-	-	-	-
D. Closing balance	**-**	**-**	**871.241**	**871.241**

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Fondi per rischio di credito relativo a impegni e garanzie finanziarie rilasciate				
	First stage	**Second stage**	**Third stage**	**Impaired acquired or Originated**	**Total**
Commitments to grant funds	771.624	10.054	107.081	-	888.759
Financial guarantees issued	-	-	-	-	-
Total	**771.624**	**10.054**	**107.081**		**888.759**

Section 11 *Equity*

This section shows the liabilities accounts for items 110, 120, 130, 140, 150, 160 and 170.

11.1 Share Capital: composition

	31/12/2022
1. Share capital	85.000.002
1.1 Ordinary shares	85.000.002
1.2 Other shares	-

The capital consists of 85.000.002 shares with a nominal value of 1 Euro.

11.2 Treasury shares: composition

As of December 31, 2023 and December 31, 2022, Factorit S.p.A. does not hold any treasury shares.

11.3 Equity instruments: composition

As of December 31, 2023 and December 31, 2022, Factorit S.p.A. has not valued the capital instruments item.

11.4 Share premium: composition

This reserve amounts to Euro 11.030.364.

11.5 Other information

Availability and distributability of equity items.

Nature	Amount	Utilisation	Available portion	Summary of use in the previous years	
				To cover losses	Other reasons
Share Capital	85.000.002	-	-	-	-
Equity-relates reserves	-	-	-	-	-
Income-related reserves					
Legal reserve	14.843.519	B	14.843.519	-	-
Share premium	11.030.364	A-B	2.156.483	-	-
Share premium	-	A-B-C	8.873.881	-	-
Other reserves	150.406.432	A-B-C	150.406.432	-	-
Retained earnings	171.240	A-B-C	171.240	-	-
Total	**261.451.557**	**-**	**176.451.555**	**-**	**-**
Non-distributable portion	**-**	**-**	**3.351.654**	**-**	**-**
Remaining distributable portion	**-**	**-**	**173.099.901**	**-**	**-**

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

It should be noted that "Other reserves" include: Euro 5.350.212 FTA reserve relating to the first IAS impact, Euro 304.394 for the reserve for unexercised stock options, Euro -295.814 for the non-distributable TFR gain/loss reserve, Euro 42.679 for the valuation of the investment in the Italian Airline and Euro -64.512 for the valuation of the non-distributable Webuild S.p.A. shares and Euro 4.215.490 relating to the reserve deriving from the first IFRS 9 impact.
In compliance with art. 2427, paragraph 1, no. 22-septies of the Italian Civil Code, the proposal for the allocation of the profit for the year ended 31 December 2023 is set out below:

Net profit for the year	Euro	32.107.100
Retained earnings	Euro	171.240
Profits to be allocated	Euro	32.278.340
of which:		
5% of the profit for the year will be held in the legal reserve	Euro	1.605.355
Dividend Euro 0,26 to each of the 85.000.002 shares outstanding	Euro	22.100.000
Profits carried forward to extraordinary reserve	Euro	8.387.770
Retained earnings	Euro	185.215

11.6 Composition of item 160 "Valuation reserves"

The item shows a negative balance of Euro -317.647 broken down as follows:

- Euro -295.814 referring to the recognition of gains/losses related to the valuation actuarial of the post-employment benefit;
- Euro -21.833 relating to the valuation of equity securities as shown in the Table 3.1 of "Part B – Information on the balance sheet".

OTHER INFORMATION

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

	Nominal value on financial commitments and guarantees given				31/12/2023	31/12/2022
	First stage Second stage Third stage	First stage Second stage Third stage	First stage Second stage Third stage	First stage Second stage Third stage		
1. Commitments to grant funds	**606.906.331**	**5.003.369**	**545.910**	**-**	**612.455.610**	**482.603.485**
a) Public administrations	1.833.050	-	-	-	1.833.050	2.933.828
b) Banks	562.329	-	-	-	562.329	59.150
c) Other financial institutions	1.364.806	-	-	-	1.364.806	240.160
d) Non-financial institutions	601.732.915	5.003.369	545.908	-	607.282.192	477.925.130
e) Households	1.413.231	-	2	-	1.413.233	1.445.217
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 Sellers and, with regard to formal non-recourse, the value of the commitment represented by the nominal value net of the sums already disbursed and gross of total provisions.

PART C Information on the income statement

Section 1 Interests

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

1.1 Interest and similar income: composition

Item s/Description	Debts instruments	Loans and receivables	Other transactions	31/12/2023	31/12/2022
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:	-	128.505.901	-	128.505.901	33.205.506
3.1 Receivables from banks	-	87.039	-	87.039	4.785
3.2 Receivables from financial corporations	-	31.710.228	-	31.710.228	7.506.491
3.3 Loans and advances to customers	-	96.708.634	-	96.708.634	25.694.230
4. Hedging derivatives	-	-	-	-	-
5. Other assets	-	-	201.557	201.557	701
6. Financial liabilities	-	-	-	-	-
Total	**-**	**128.505.901**	**201.557**	**128.707.458**	**33.206.207**
of which: interest income on impaired financial assets	-	**507.275**	-	**507.275**	**140.537**
of which: interest income on leases	-	**-**	-	**-**	**-**

The increase in interest income, which took place in the second half of last year, essentially reflects the generalized increase in interest rates following the change in the monetary policy of the European Central Bank, which intervened by raising the refinancing rate to contain the strong inflationary recovery, after many stable years.
The item “other transactions” is almost entirely attributable to interest on the purchase from two counterparties of tax credits relating to the operating costs of cinemas, pursuant to Article 8 of the “National Production Tax Credit Decree” or Article 31 of the “Other Tax Credit Decree”.

1.2 Interest and similar income: other information

Interest income in foreign currency on financial assets for loans to customers and financial institutions amounted to Euro 3.807.785 (Euro 2.120.269 in 2022).

1.3 Interest expense and similar charges: composition

Item s/Descriptions	Financing	Securities	Other transactions	31/12/2023	31/12/2022
1. Financial liabilities measured at amortised cost					
1.1 Payables to banks	(85.945.842)	-	-	(85.945.842)	(5.813.560)
1.2 Payables to Financial institutions	-	-	-	-	-
1.3 Payables to customers	(176.147)	-	-	(176.147)	(172.131)
1.4 Securities outstanding					
2. Financial liabilities for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities	-	-	-	-	-
5. Hedging derivatives	-	-	-	-	-
6. Financial assets	-	-	-	-	-
Total	**(86.121.989)**	-	**-**	**(86.121.989)**	**(5.985.691)**
of which: interest expense on lease payables	**(183.288)**	-	**-**	**(183.288)**	**(180.983)**

Interest expense increased sharply compared to last year and correlated with interest income, mainly due to the increase in market rates.

Section 2 *Commissions*

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

2.1 Fee and commission income: composition

Detail	31/12/2023	31/12/2022
A. Leasing operations	**-**	**-**
B. Factoring operations	**31.268.977**	**26.872.601**
C. Consumer credit	**-**	**-**
D. Warranties issued	**-**	**-**
E. Services	**-**	**-**
- management of funds on behalf of third parties	-	-
- Foreign exchange brokerage	-	-
- Product distribution	-	-
- other	-	-
F. Collection and payment services	**-**	**-**
G. Servicing in securitization transactions	**-**	**-**
H. Other fees (to be specified)	**6.129.151**	**3.068.414**
Total	**37.398.128**	**29.941.015**

It should be noted that the Company, as part of its factoring management system, uses a computer application that allows one-off commissions to be distributed based on the duration of the receivables assigned. As of December 31.2023, the discounted amount is Euro 6.818.828. The amount of the sub-item “Other commissions” refers to remuneration received for transactions not falling within the scope of Law 52/91 (other loans, other disposals, etc.).

2.2 Fee and commission expenses: composition

Detail/Sectors	31/12/2023	31/12/2022
A. Guarantees Received	**(1.433.146)**	**(1.093.054)**
B. Distribution of Services from Third Parties	**-**	**-**
C. Collection and payment services	**-**	**-**
D. Other Fees	**(3.461.368)**	**(3.150.944)**
D.1 Relations with banks	(148.733)	(108.973)
D.2 Brokerage activities	(2.454.974)	(2.144.884)
D.3 Credit insurance premiums	(628.703)	(630.000)
D.4 Other activities	(228.958)	(267.087)
Total	**(4.894.514)**	**(4.243.998)**

By analogy with item 40, commission expense that includes one-off commission income is broken down according to the same criterion. As of December 31.2023, the discounted amount is Euro 326.191.

Section 3 *Dividends and similar income*

The accounts relating to item s 70 are illustrated in this section.

3.1 Dividends and similar income: composition

Item /Income	31/12/2023		31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at FV	-	-	-	-
C. Other financial assets measured at fair value through OCI	30.185	-	29.126	-
D. Shares	-	-	-	-
Total	**30.185**	**-**	**29.126**	-

Section 4 *Net trading income*

The account relating to item 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 securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Units of UCIs	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**-**	**-**	**-**	**-**	**(59.098)**
4. Derivatives	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
4.2 Credit derivatives of which: natural hedges associated with the fair value option	-	-	-	-	-
Total	-	-	-	-	**(59.098)**

Section 8 Net adjustment/write backs for credit risk

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

8.1 Net impairment losses/reversals for credit risk related to financial assets measured at amortised cost: breakdown

The table shows the amount charged to the income statement as a result of and in relation to the process of evaluating the loan portfolio.

Operations/Income components	Value Adjustments						Write-backs				31/12/2023	31/12/2022
	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. Receivables from banks	**(10.834)**	**-**	**-**	**-**	**-**	**-**	**3.363**	**-**	**-**	**-**	**(7.471)**	**(2.695)**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(10.834)	-	-	-	-	-	3.363	-	-	-	(7.471)	(2.695)
- other receivables	-	-	-	-	-	-		-	-	-	-	-
B. Receivables from financial corporations	**(305.095)**	**(9)**	**-**	**-**	**-**	**-**	**124.605**	**9**	**-**	**-**	**(180.490)**	**139.625**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(276.683)	(9)	-	-	-	-	124.605	9	-	-	(152.078)	131.995
- other receivables	(28.412)	-	-	-	-	-	-	-	-	-	(28.412)	7.630
C. Receivables from customers	**(6.894.961)**	**(112.375)**	**-**	**(5.212.166)**	**-**	**-**	**3.058.323**	**176.723**	**1.108.965**	**-**	**(7.875.491)**	**660.580**
- for leasing	-	-	-	-	-	-	-	-	-	-	-	-
- for factoring	(5.777.204)	(108.934)	-	(1.702.478)	-	-	2.893.615	169.666	589.858	-	(3.935.477)	296.340
- for consumer credit	-	-	-	-	-	-	-	-	-	-	-	-
- pawn loans	-	-	-	-	-	-	-	-	-	-	-	-
- other receivables	(1.117.757)	(3.441)	-	(3.509.688)	-	-	164.708	7.057	519.107	-	(3.940.014)	364.240
Total	**(7.210.890)**	**(112.384)**	**-**	**(5.212.166)**	**-**	**-**	**3.186.291**	**176.732**	**1.108.965**	**-**	**(8.063.452)**	**797.510**

The deviation from the previous year is largely attributable to collective impairment. In this context, in line with the provisions of the IFRS 9 methodological framework in force, the Company has provided for the quarterly update of both the probability of so-called point-in-time defaults and the parameterizations of the forward-looking information used for the construction of the forward structures of the risk parameters, with particular reference to the new set of macro-economic scenarios (2023Q3 Forecast Report adopted by the Parent Company), while the weights associated with them were kept unchanged (65% base – 25% adverse – 10% extreme).
It should be noted that, as in the last runs, appropriate management overlays were also applied to 31 December 2023 in order to obtain, from a prudential perspective, overall levels of impairment and coverage deemed more representative of the portfolio's actual current and prospective risk profile.
In addition, as a novelty of the run under analysis, it is worth noting the introduction of an additional prudential layer (so-called model-related add-on) aimed at incorporating in advance in the level of accounting write-downs at the end of the year the impact deriving from the adoption also in the context of IFRS 9 of the new AIRB risk parameters, an activity that will be completed during the first half of 2024. This component was quantified, by means of a sensitivity analysis on a previous date (September portfolio), equal to 0,7 million Euro and applied to the individual positions in proportion to the exposure of each with respect to the total exposure of the overall portfolio.

Section 10 *Administrative expeses*

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

10.1 Administrative expenses: composition

Items/Sectors	31/12/2023	31/12/2022
1. Employees	**(13.967.057)**	**(13.049.746)**
a) Wages and salaries	(9.537.493)	(9.085.401)
b) Social security contributions	(2.727.846)	(2.535.992)
c) Post-employment benefits	-	-
d) Pension costs	-	-
e) Accrual for post-employment benefits	(144.907)	(3.795)
f) Accrual for pension and similar provisions:	-	-
- Defined contribution	-	-
- Defined benefits	-	-
g) Payments to external supplementary pension funds:	(867.699)	(779.615)
- Defined contribution	(867.699)	(779.615)
- Defined benefits	-	-
h) Other employee benefits	(689.112)	(644.943)
2. Other personnel	**(57.563)**	**(51.491)**
3. Directors and statutory auditors	**(271.884)**	**(287.774)**
4. Retired personnel	**-**	**-**
5. Cost recoveries for personnel seconded to other companies	**931.977**	**941.402**
6. Cost reimbursements for personnel seconded to the company	**-**	**-**
Total	**(13.364.527)**	**(12.447.609)**

The deviation from the previous year is substantially affected by the higher costs incurred following the entry into force of the renewal of the banking sector contract.

10.2 Average number of employees by category

Organic	31/12/2023		31/12/2022	
	Average	Exact	Average	Exact
Employees	**152**	**152**	**154**	**156**
a) Managers	4	4	4	4
b) Executives	73	73	75	76
of which 3rd and 4th level	41	42	43	43
c) Other employees	75	75	75	76
Other personnel	**2**	**1**	**2**	**3**

The average figure for total employees does not include any weighting of part-time contracts.

10.3 Other administrative expenses: composition

	31/12/2023	31/12/2022
Expenses related to real estate:	(291.788)	(281.419)
- Local rents and maintenance	(267.909)	(256.620)
- Energy, water and heating	(23.879)	(24.799)
Indirect taxes and fees	(1.078.158)	(1.109.663)
Postage, telephone, printed and other office expenses	(201.255)	(192.670)
Maintenance and fees for furniture, equipment and systems	(569.411)	(469.638)
Professional services and consultancy	(429.449)	(586.035)
Legal Fees	(284.995)	(373.192)
Advertising, entertainment and gifts	(60.308)	(50.771)
Insurance Premiums	(70.038)	(53.418)
Transport, Rentals and business trips	(392.198)	(357.536)
EAD services outsourced to Group companies	(960.000)	-
Outsourced EAD Services	(47.976)	(809.370)
Tertiarization	(82.565)	(83.627)
Associative	(63.392)	(73.223)
Outsourced services to Group companies	(275.000)	(520.000)
Outsourced services to other parties	(63.234)	(56.566)
Other miscellaneous costs and expenses	(308.126)	(266.319)
Total	**(5.177.893)**	**(5.283.447)**

The sub-item “EAD services outsourced to Group companies” refers to 2 contracts signed with the Parent Company, one relating to the “Facility Management and Application Maintenance-Management Service in the Supervisory Reporting Area” and the other referring to the “Facility Management Service in the I.C.T. area”.

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

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

11.1 Net provisions for credit risk relating to commitments to grant funds and financial guarantees given: breakdown

	Accruals	Re-allocation of surpluses	31/12/2023	31/12/2022
Net provisions for credit risk relating to commitments to grant funds and financial guarantees given	(568.937)	20.904	(548.033)	(49.338)

The table shows the value of the provisions/write-backs made during the year on commitments to disburse only “approved with recourse” operations (formally without recourse), i.e. the difference between the total approved receivables and the related advances (the latter is represented in the balance sheet assets in the name of the Assignor) and on the commitments guaranteed to some elevate standing customers.

11.3 Net allocations to other provisions for risks and charges: breakdown

	Accruals	Re-allocation of surpluses	31/12/2023	31/12/2022
Net allocations to other provisions for risks and charges:	**-**	**-**	**-**	**-**
a) Legal disputes	-	-	-	-
(b) Other	-	-	-	-

Section 12 *Net impairment losses/reversals on property, plant and equipment*

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

12.1 Net impairment losses/reversals on property, plant and equipment: composition

Asset/Income components	Amortization (a)	Impairment losses (b)	Reversals of Impairment losses (c)	Net Result (a+b-c)
A. Property and equipment				
A.1 For functional use	(1.350.901)	-	-	(1.350.901)
- Owned	(55.561)	-	-	(55.561)
- Leasing rights of use	(1.295.340)	-	-	(1.295.340)
A.2 Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Leasing rights of use	-	-	-	-
A.3 Surplus	**-**	**-**	**-**	**-**
Total	**(1.350.901)**	**-**	**-**	**(1.350.901)**

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

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

13.1 Net impairment losses/reversals on intangible assets: breakdown

Asset/Income component	Amortisation (a)	Impairment losses (b)	Reversals of Impairment losses (c)	Net result (a+b-c)
1. Intangible assets other than goodwill	**(75.282)**	**-**	**-**	**(75.282)**
of which: software	-	-	-	-
1.1 Ownership	(75.282)	-	-	(75.282)
1.2 Acquired under finance leases	-	-	-	-
2. Assets related to finance leases	-	-	-	-
3. Assets leased under operating leases	-	-	-	-
Total	**(75.282)**	**-**	**-**	**(75.282)**

Section 14 *Other operating income/expenses*

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

14.1 Other operating expenses: breakdown

	31/12/2023	31/12/2022
- contingent liabilities	(21.131)	(33.426)
- other	(697)	(490)
Total	**(21.828)**	**(33.916)**

14.2 Other operating income: composition

	31/12/2023	31/12/2022
- Recovery of taxes	117.764	121.086
- Recovery of costs	150.736	31.634
- income from IT services rendered	258.186	259.180
- other	373.557	485.607
Total	**900.243**	**897.507**

The sub-item “Others” includes revenues of Euro 51.205 from activities related to factoring and other disposals.

Section 18 *Gaing (losses) on disposalof investments*

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

18.1 Gains (losses) on disposal of investments: composition

	31/12/2023	31/12/2022
1. Properties	**-**	**-**
1.1 Gains on disposals	-	-
1.2 Disposal losses	-	-
2. Other assets	**2.721**	**8.017**
2.1 Gains on disposals	2.774	8.088
2.2 Disposal losses	(53)	(71)
Net result	**2.721**	**8.017**

The item “Gains on disposals” includes the amount booked in relation to the sale of owned company cars.

Section 19 *Taxes on income from counting operations*

This section illustrates the account relating to item 270 “Taxes on income from continuing operations”.
As mentioned at the end of Table 10.2 “Tax liabilities: current and deferred”: composition, starting from the 2019 tax period, Factorit exercised the option to join the “Fiscal Consolidation Scheme” – as governed by Articles 117 - 129 of the TUIR – as consolidated with the Parent Company Banca Popolare di Sondrio as consolidating agent. To this end, consolidation contracts and regulations for participation in the national consolidation have been stipulated.
This option was exercised jointly by the Parent Company and the following Group Companies that meet the requirements of the aforementioned legislation:

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

It should be noted that starting from the 2023 tax period, the option to join the “Fiscal Consolidation System” of the Banca Popolare di Sondrio Group has also been extended to the following companies:

- Immobiliare Borgo Palazzo S.r.l.
- Immobiliare San Paolo S.r.l.
- Rent2Go S.r.l.
- Sinergia Seconda S.r.l.

The advantages deriving from the exercise of the option for the “National Consolidation” regime are mainly related to the possibility of offsetting the losses of one or more companies belonging to the Group with the profits of the other companies and also transforming deferred tax assets on write-downs of receivables (DTA) into tax credits also for the companies included in the perimeter.
Accrual taxes represent a reasonable estimate of the charge for the year, determined on the basis of the tax laws in force.

19.1 Income taxes for the current year: composition

	31/12/2023	31/12/2022
1. Current taxes (-)	(10.844.975)	(9.185.347)
2. Change in current taxes in previous years (+/-)	13.394	-
3. Decrease of current taxes for the year (+)	-	-
3.bis Decrease of current taxes for the year for tax credits pursuant to Law no. 214/2011	-	-
4. Change in deferred tax assets (+/-)	(4.574.131)	(2.191.487)
5. Change in deferred tax assets (+/-)	151.594	27
6. Taxes expenses for the year	**(15.254.118)**	**(11.376.807)**

The relevant taxes include IRES at a rate of 24,0%, the additional IRES at a rate of 3,5% and IRAP at a rate of 5,57%.

19.2 Reconciliation between the theoretical and effective tax expense

Profit before tax	**47.361.218**
IRES	27,5%
Theoretical tax	(13.024.335)
Dividends	7.886
10% IRAP deductibility and labour costs (-)	8.982
ACE - Aid for economic growth	380.067
Other changes (+/-)	153.600
TOTAL IRES	**(12.473.800)**
IRAP	5,57%
Theoretical tax	(2.638.020)
Dividends	841
Personnel expenses	(35.791)
Administrative expenditure	(28.841)
Depreciation of tangible/intangible assets	(7.944)
Other operating expenses/income	(70.563)
IRAP TOTAL	**(2.780.318)**
TOTAL TAXES	**15.254.118)**

Section 21 *Income Statement: Other Information*

21.1 Analytical breakdown of interest and commission income

Items/Counterparty	Interest income			Commission income			31/12/2023	31/12/2022
	Banks	Financial Institutions	Customers	Banks	Financial Institutions	Customers		
1. Finance leasing	-	-	-	-	-	-	-	-
- Real estate	-	-	-	-	-	-	-	-
- Movable property	-	-	-	-	-	-	-	-
- Goods	-	-	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-	-	-
2. Factoring	-	**31.710.227**	**96.708.634**	**21.467**	**4.315.809**	**33.060.852**	**165.816.989**	**63.141.735**
- On current receivables	-	31.302.661	71.597.608	2	3.421.432	27.021.701	133.343.404	51.723.487
- On future receivables	-	-	4.929.548	-	-	825.842	5.755.390	1.926.226
- On outright receivables	-	-	-	-	-	-	-	-
- On receivables purchased below their original value	-	-	-	-	-	-	-	-
- For other loans	-	407.566	20.181.478	21.465	894.377	5.213.309	26.718.195	9.492.022
3. Consumer lending	-	-	-	-	-	-	-	-
- Personal loans	-	-	-	-	-	-	-	-
- Targeted loans	-	-	-	-	-	-	-	-
- Assignment of the fifth	-	-	-	-	-	-	-	-
4. Pawn loans	-	-	-	-	-	-	-	-
5. Guarantees and commitments	-	-	-	-	-	-	-	-
- Of a commercial nature	-	-	-	-	-	-	-	-
- Of a financial nature	-	-	-	-	-	-	-	-
Total	-	**31.710.227**	**96.708.634**	**21.467**	**4.315.809**	**33.060.852**	**165.816.989**	**63.141.735**

21.2 Other Information

Analytical breakdown of interest expense and similar charges.

Description	Amount
Overdrafts	(6.197.222)
Advances under reserve	(1.038.402)
Hot Money	(75.763.831)
Advances in foreign currency	(2.939.246)
Interest on lease payables	(183.288)
Total	**(86.121.989)**

PART D *Other information*

Section 1 *Specific references on the operations carried out*

B. FACTORING AND ASSIGNMENT OF RECEIVABLES

B.1 – Gross value and book value

B.1.1 – Factoring operations

Item s/Amounts	31/12/2023			31/12/2022		
	Gross amount	Impairment losses	Net value	Gross amount	Impairment losses	Net value
1. Performing exposures	**3.802.438.957**	**6.312.477**	**3.796.126.480**	**3.285.180.838**	**3.334.039**	**3.281.846.799**
- Exposures to Assignors (with-recourse)	1.757.275.878	3.262.922	1.754.012.956	1.806.546.209	1.733.349	1.804.812.860
- Assignment of future receivables	114.816.532	375.318	114.441.214	84.623.560	233.613	84.389.947
- Other	1.642.459.346	2.887.604	1.639.571.742	1.721.922.649	1.499.736	1.720.422.913
- Exposures to assigned debtors (without-recourse)	2.045.163.079	3.049.555	2.042.113.524	1.478.634.629	1.600.690	1.477.033.939
- Purchases below their nominal value	-	-	-	-	-	-
- Other	2.045.163.079	3.049.555	2.042.113.524	1.478.634.629	1.600.690	1.477.033.939
2. Not performing exposures	**6.918.179**	**5.709.740**	**1.208.439**	**7.389.499**	**6.391.114**	**998.385**
2.1 Bad loans exposures	**4.018.633**	**4.005.853**	**12.780**	**5.004.781**	**4.956.031**	**48.750**
- Exposures to Assignors (with-recourse)	3.109.650	3.096.870	12.780	3.521.509	3.472.759	48.750
- Assignment of future receivables	-	-	-	268.889	268.889	-
- Other	3.109.650	3.096.870	12.780	3.252.620	3.203.870	48.750
- Exposures to assigned debtors (without-recourse)	908.983	908.983	-	1.483.272	1.483.272	-
- Purchases below their nominal value	-	-	-	-	-	-
- Other	908.983	908.983	-	1.483.272	1.483.272	-
2.2 Unlikely-to-pay exposures	**2.890.349**	**1.703.059**	**1.187.290**	**2.379.309**	**1.434.596**	**944.713**
- Exposures to Assignors (with-recourse)	1.887.817	822.362	1.065.455	1.684.236	746.748	937.488
- Assignment of future receivables	31.375	5.439	25.936	17.695	4.362	13.333
- Other	1.856.442	816.923	1.039.519	1.666.541	742.386	924.155
- Exposures to assigned debtors (without-recourse)	1.002.532	880.697	121.835	695.073	687.848	7.225
- Purchases below their nominal value	-	-	-	-	-	-
- Other	1.002.532	880.697	121.835	695.073	687.848	7.225
2.3 Past due Not performing exposures	**9.197**	**828**	**8.369**	**5.409**	**487**	**4.922**
- Exposures to Assignors (with-recourse)	-	-	-	-	-	-
- Assignment of future receivables	-	-	-	-	-	-
- Other	-	-	-	-	-	-
- Exposures to assigned debtors (without-recourse)	9.197	828	8.369	5.409	487	4.922
- Purchases below their nominal value	-	-	-	-	-	-
- Other	**9.197**	**828**	**8.369**	5.409	487	4.922
Total	**3.809.357.136**	**12.022.217**	**3.797.334.919**	**3.292.570.337**	**9.725.153**	**3.282.845.184**

The following table provides details of the advances relating to credit assignments not falling within the scope of Law 52/91.

Item s/Amounts	31/12/2023			31/12/2022		
	Gross amount	Impairment losses	Net value	Gross amount	Impairment losses	Net value
1.Performing assets	172.536.220	878.301	171.657.919	70.148.963	161.702	69.987.261
2. Not performing assets	36.257	36.257	-	57.857	43.787	14.070
2.1 Bad loans	36.257	36.257	-	36.257	36.257	-
2.2 Unlikely-to-pay	-	-	-	21.600	7.530	14.070
2.3 Impaired past due exposures	-	-	-	-	-	-
Total	**172.572.477**	**914.558**	**171.657.919**	**70.206.820**	**205.489**	**70.001.331**

B.2 – Breakdown by residual life

Receivables that are past due with respect to the invoice due date, if they are performing, are classified in the "On-demand" bracket, if they are not performing, they are classified based on the due date estimated for financial statement purposes.

B.2.1 – With recourse factoring transactions: advances and "outstanding"

By maturity	31/12/2023		31/12/2022	
	Advances	Receivables	Advances	Receivables
Breakdown by residual life	236.478.307	360.497.151	253.522.432	362.775.976
- visible	1.146.288.738	1.408.249.468	1.233.714.717	1.572.635.430
- up to 3 months	263.536.791	369.274.712	201.609.328	296.306.761
- from 3 to 6 months	91.930.218	147.346.430	63.370.886	98.098.705
- 6 months to 1 year	16.857.137	10.781.349	53.581.735	19.784.344
- over 1 year	-	-	-	-
Total	**1.755.091.191**	**2.296.149.110**	**1.805.799.098**	**2.349.601.216**

The table provides a breakdown of the values indicated in Table B.1 above, with reference only to receivables from Assignors, and excludes transactions not falling within the scope of Law 52/91.
The distribution of with recourse advances was conventionally carried out in proportion to the expiration dates of the related total outstanding.
At the same time, it should be noted that the total amount of receivables relating to assignments of receivables carried out outside Law 52/91 as of December 31.2023 amounted to Euro 12.260.380.

B.2.2 – Without recourse factoring transactions: exposures

By maturity	Exposures	
	31/12/2023	31/12/2022
- visible	101.606.185	117.676.453
- up to 3 months	1.260.870.899	936.314.106
- from 3 to 6 months	248.032.890	100.519.846
- 6 months to 1 year	92.596.649	134.583.347
- over 1 year	339.137.105	187.952.334
- Indefinite duration	-	-
Total	**2.042.243.728**	**1.477.046.086**

The table shows the book value of the exposures relating to receivables purchased for without recourse factoring transactions and receivables purchased not at the nominal level, broken down by residual maturity band. At the same time, it should be noted that the amount of receivables relating to assignments of receivables carried out outside Law 52/91 as of December 31.2023 amounted to Euro 165.156.058.

B.3 – Other information

B.3.1 – Turnover of receivables subject to factoring transactions

	31/12/2023	**31/12/2022**
- **1. Without recourse transactions**	7.175.452.829	7.261.331.569
- of which purchases below nominal value	-	-
- **2. With recourse transactions**	10.906.326.525	11.124.022.246
Total	**18.081.779.354**	**18.385.353.815**

The table shows the nominal value of receivables purchased during the year (turnover) for factoring transactions, split between without recourse transactions and with recourse/formal without recourse transactions.
The table below shows the breakdown of turnover for “Other disposals”.

	31/12/2023	**31/12/2022**
- Without recourse	95.895.653	10.051.853
- With recourse	193.757.859	239.745.557
Total	**289.653.512**	**249.797.410**

B.3.2 – Collection services

The Company did not carry out collection-only services in the financial years 2023 and 2022.

B.3.3 – Nominal value of contracts for the acquisition of future receivables

	31/12/2023	**31/12/2022**
- Flow of future receivables purchase contracts during the year	1.212.130.763	649.153.332
- Amount of receivables outstanding at the end of the year	759.407.071	369.264.234

D. – GUARANTEES ISSUED AND COMMITMENTS

D.1 – VALUE OF GUARANTEES (REAL OR PERSONAL) ISSUED AND COMMITMENTS

	31/12/2023	31/12/2022
1) First-demand financial guarantees	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
2) Other guarantees given of a financial nature	-	-
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
3) Warranties given of a commercial nature	**-**	**-**
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
4) Irrevocable commitments to disburse funds	**448.274.095**	**360.485.647**
a) Banks	562.329	59.151
(i) for certain use	-	-
(ii) uncertain use	562.329	59.151
b) financial institutions	1.364.799	240.153
(i) for certain use	3	129
(ii) uncertain use	1.364.796	240.024
c) Customers	446.346.967	360.186.343
(i) for certain use	90.838.214	43.831.013
(ii) uncertain use	355.508.753	316.355.330
5) Underlying commitments on credit derivatives: protection sales	-	-
6) Assets pledged as collateral for third-party obligations	-	-
7) Other irrevocable commitments	**-**	**-**
a) to issue guarantees	**-**	**-**
b) Other	-	-
Total	**448.274.095**	**360.485.647**

The table shows the commitment to disburse only “approved with recourse” (formal without recourse) transactions, i.e. the difference between the amount of receivables of the approved recourse and the advance of the approved recourse (recognised in the assets of the financial statements in the name of the Assignor), on the committed lines given to high-standing customers and on the commitments to pay in relation to the Confirming product.
The balance of Euro 357.435.878 refers to irrevocable commitments with uncertain use, as the commitment to disburse funds is optional; In this case, it is uncertain whether and to what extent the actual disbursement of the funds will take place.

D.2 – Loans entered in the budget for debt collection

There are no amounts.

Section 3 *Information on risks and related hedging policies*

3.1 – CREDIT RISKS

Qualitative information

1. General

The purpose of factoring is the without recourse and with recourse assignment of commercial receivables.
A peculiar feature of the transaction is the trilateral nature of the contract, by virtue of the involvement of the Client company (Assignor) holding the receivable subject to assignment, the Debtor assigned and the Factor that intervenes as a financial entity in the supply relationship existing between the two previous parties.
To this end, an aspect to consider is the intensity of the relationship between Factor and Customer, usually based on a continuous and long-lasting relationship. Furthermore, the relevance of the relational aspect can also be grasped in the relationship between the Factor and the assigned Debtor, in the event of a notified assignment of the receivable.
If observed from the point of view of the underlying services, it is a product where several components can be combined in a complete or partial manner such as: credit management, the guarantee of the solvency of the assigned Debtor and the provision of advances to the Assignor on the receivables received in assignment.
The assumption and risk management guidelines contribute to the formulation of the guidelines and guidelines to which the definition of strategic objectives and the overall planning of the Company's medium-term business activities are to be complied with. These guidelines are defined by the Board of Directors and express Factorit's strategic attitude towards credit risk, as well as being the basis of decision-making processes on risk governance. They are connected to the company's operations through the clarification of the risk-taking objectives established by the RAF (Risk Appetite Framework) and the adoption of coherent risk management policies, usually updated annually according to the degree of materiality of the risk itself.
In implementing its strategic objectives, the Company pursues a policy based on balance and prudence, characterised by a restrained and conscious assumption of risks, which is followed by lines of action aimed at directing operational activities towards development guidelines considered to be less risky.

In general, the operational activities carried out by the Company are based on the principles of:

- Cautious attitude towards the assumption of risks associated with lending activities and confirmation of a careful monitoring of the same throughout the "life cycle" of the credit;
- Rigorous preliminary examination of credit requests, aimed at understanding the actual degree of riskiness of the counterparties through the analysis of their ability to generate wealth, not only currently, but also prospectively;
- Inadmissibility of all assignment transactions involving risk-taking that is inconsistent with the Group's risk objectives and rejection of those likely to compromise its profitability and stability;
- Adequate remuneration of the risk assumed due to the type of credit facility granted and adoption of prudent provisioning policies;

- Systematic and shared use of rating models in the context of credit management processes, promoting selective, efficient and predictive assessments of the creditworthiness of customers;
- Intensification of risk detection, monitoring and management measures to safeguard the quality of credit assets from the risk of deterioration, with the aim of progressively containing the cost of risk and the levels of Not performing loans;
- Careful monitoring of the risks associated with excessive portfolio concentration, including through the imposition of risk ceilings on the largest counterparties and economic sectors with a more pronounced risk profile.

2. Credit risk management policies

a) The main risk factors

The risk assessment of a factoring transaction must take into account a variety of factors such as: the solvency of the Assignor and the assigned Debtors, the degree of fragmentation of the transferred portfolio, the characteristics of the underlying commercial relationship, the duration of the assigned receivables, the Assignor's ability to repay in the event of the disbursement of advances.
According to the definition set out in the Company's "Risk Map", credit risk is defined as the risk that an entrusted counterparty is unable to meet its obligations on time and in full, or that a change in its creditworthiness generates a corresponding change in the economic or market value of the position.
In the case of factoring, the ability of a counterparty to fulfil the payment obligation is assessed on the basis of the Assignor's ability to transform its sales into cash flows, the speed of turnover of trade receivables and payables, and the peculiarities of the supply relationship in terms of its short-term substitutability.
The broadest sense of credit risk includes different types of risk. In particular, with specific reference to Factorit's operations, the following types of risk appear to be predominant and relevant:

- Insolvency and recovery risk: the risk that an entrusted counterparty will not be able to meet its obligations on time and in full, or that the amount of recovery actually recorded at the end of the liquidation of the assets of a counterparty that has become insolvent is lower than originally estimated;
- Concentration risks (per-borrower and geo-sectoral): arise from exposures to counterparties, including CCPs, groups of connected counterparties and counterparties operating in the same economic sector, in the same geographical region or engaging in the same activity or dealing in the same commodity, as well as from the application of credit risk mitigation techniques, including risks arising from indirect exposures, such as to individual collateral providers.

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

The credit risk management process is based on the use of methodologies, procedures, organizational structures and tools capable of guaranteeing knowledge of its size and evolutionary dynamics at all times. In this sense, Factorit, in compliance with current Group regulations and inspired by best practices, develops a structured credit risk detection and management system, promoting its use in operational, management and control processes.

From a regulatory perspective, Factorit measures credit risk through the regulatory requirement determined in accordance with the approaches prescribed by the applicable supervisory regulations and calculated through the Standardised Approach.
The monitoring of the credit risk generated by exposures to customers is supported not only by regulatory measurements, but also by measurement systems differentiated according to the various components.

Among the measurement systems used, the following are particularly noteworthy:

- Rating system – AIRB risk parameters: developed internally, it provides accurate, homogeneous and differentiated quantitative estimates of the risk parameters associated with transactions and counterparties;
- Primary, complementary and operational indicators of the Risk Appetite Framework: indicators defined within the Risk Appetite Framework and aimed at defining risk appetite and limits on assumption;
- Second-level controls on credit processes: analyses based on specific risk indicators, referring to the four dimensions of the credit process (classification, provisioning, monitoring and recovery) and on a selection of portfolios identified on the basis of adequacy criteria of risk coverage levels and segmented by relevant dimensions (counterparty, technical forms, etc.).

Factorit has a monitoring system that takes the form of a series of methodologies, procedures, tools and organisational structures capable of highlighting, effectively and promptly, the trends in the credit risk profile, broken down into its various components, for the Company's entire portfolio of loans. The monitoring phase is developed along the following lines:

1. first-level safeguards adopted in the credit process;
2. execution of recurrent and ad hoc analyses aimed at monitoring specific risk profiles, on a quarterly basis, through the analysis of the composition of the portfolio and a series of indicators representative of risk phenomena, which can be investigated at the level of synthesis and according to different disaggregation criteria;
3. monitoring of Risk Appetite Statement indicators and limits;
4. second-level controls on credit business processes;
5. control of consistency with the RAF indicators of any new credit granting operation which, due to the significant unit size and the risk profile implicit in it, qualifies as a "major transaction" within the meaning of the specific regulation.

The Risk Control Function collaborates in the definition and implementation of the relevant credit risk governance policies, overseeing the management and control process of the same and preparing the established information flows in order to improve the management of the aforementioned risk and consequently the Company's decision-making processes. These flows are also aimed at ensuring that corporate bodies and corporate control functions are fully aware of and governable risk factors.

Organizational aspects adopted in the credit process

Factorit's credit governance and management process is regulated within the framework of the "Credit Process Guidelines" approved by the Board of Directors, in accordance with the regulations in force on credit at the Parent Company, which represents the reference model for the underlying regulations of the Group Companies, and which defines common criteria and methodologies for credit management, while respecting the peculiarities that may arise from particular types of loans and the nature of the counterparties.

The complex process of governance and credit management, in line with the credit policy given by the Parent Company, is mainly divided into the following macro-phases:
- investigation;
- deliberation;
- distribution;
- review of credit lines;
- monitoring;
- management of Not performing loans.

Investigation

The preliminary investigation is aimed at ascertaining and evaluating the conditions of the transaction, including:
- the creditworthiness of the requesting counterparty assessed through the collection and analysis of information functional to the assignment of the rating for the counterparties falling within the AIRB perimeter;
- the characteristics of the assigned receivables;
- the solvency of the assigned debtors;
- the collection of information for the assessment of the counterparty's alignment with credit policies;
- asset risk, i.e. the interaction of individual names within the transferred portfolio, the risk profile of which is determined by the concentration of the Debtors and their nature;
- the concentration of risk;
- the consistency between the return on the transaction and the risk assumed;
- the profitability of the transaction;
- any guarantees.

The preliminary process involves the involvement of the Commercial and Credit Departments, guaranteeing the principle of contrasting roles in the various phases of the process.

Deliberation

The resolution phase consists of the set of activities aimed at formulating, on the basis of the results of the investigation and any other element of judgment, the decision to assume or not to assume a credit risk.
The Strategic Supervisory Body may approve factoring transactions for any amount and may delegate part of its responsibilities to other internal bodies, individual or collective, as may be appropriate. The overall structure of powers and responsibilities as well as the decision-making mechanisms in force at Factorit is regulated within the framework of the internal regulatory system “System of proxies” approved by the Board of Directors.
Thresholds are also established beyond which a prior opinion from the Parent Company is mandatory.
The following elements are taken into account:
- the amount of custody requested;
- creditworthiness of the counterparty;
- adequacy of the technical form;
- adequacy of guarantees;
- concentration of risks.

Disbursement of credit

The credit lines granted are made operational by the Credit Secretariat only after the completion of the provisions of the resolution. In this phase, every aspect related to the characteristics of the contract and the assigned receivables is evaluated.
In particular, before the activation of the credit lines, formal and substantial compliance with the contractual scheme provided for the agreed technical form and any clauses specifically introduced is checked.
The disbursement takes place at the request of the Client, normally following the sale and an overall assessment by the Manager of the relationship that examines the existing loans, the evaluation of the assigned receivables, also with feedback requested from the Debtors, the evaluation of any alerts on the counterparties (Assignor and Debtors) involved in the transaction, with investigations also on the Central Credit Register of the Bank of Italy.

Review

Individual credit exposures are subject to a periodic review, or revision, aimed at ascertaining the persistence of the conditions identified during the investigation.
The review of an assignment is carried out by the Credit Service and is activated:

- on a time-based basis, i.e. at fixed intervals or at defined intervals;
- on the recommendation of the credit monitoring office, which also makes use of automatic systems of risk indicators;
- on the initiative of the organisational unit managing the report.

Monitoring

The monitoring of credit risk is observed in all the management phases that characterise the credit relationship and, in particular, through an effective monitoring action aimed at formulating timely assessments by the Management Offices and the Credit Service with regard to any anomalies and critical issues detected.
The continuous monitoring of risk positions makes it possible to highlight any signs of deterioration in creditworthiness, with a view to defining actions aimed at ensuring that the quality of the portfolio is maintained.
The Company's credit monitoring model, which is constantly updated, presents Early Warning (EW) indicators of a financial nature, trends and data collected from external sources, with a high degree of predictability and partially consistent with what has been adopted at the level of the Parent Company.
The phase of identifying Customers who present a potential aggravation of risk can therefore be activated:

1. on a proposal made by the Commercial Department, the Debtors Management Office, the Credit Service or the Anti-Money Laundering Function;
2. the occurrence of specific presumptive events of a possible aggravation of the degree of risk of the position.

If the Commercial Department or the Debtor Management Office identify elements that may foreshadow a situation of possible aggravation of the risk (even in the absence of explicit elements of anomaly), they are required to propose the classification of the position under Supervision W1 and W2 and, in cases of greater and significant criticality, to propose the transfer of the management of the counterparty to the Debt Collection and Litigation Office.
A similar activity can be carried out by the Credit Department during the relationship revision procedure.

Positions that are characterised by significant risk are subject to appropriate analyses by the relevant Functions (Credit Service, Management Offices and Credit Monitoring Office) and, if concrete signs of criticality are found, the Legal, Debt Collection and Litigation Service, on the proposal of the Credit Monitoring Office, on the basis of their severity, will place them under observation (Watchlist).
Some predefined EW Indicators also automatically determine the immediate classification of the counterparty to be monitored.
On the other hand, the Legal, Debt Recovery and Litigation Department remains responsible for the possible classification of positions among "Not performing" counterparties.

c) Methods for measuring expected losses

Classification of financial instruments

In order to measure expected losses, the impairment model requires the classification of the financial instruments included in the scope of application of IFRS 9 into three stages. The three internships reflect the current and prospective degree of deterioration in credit quality; in particular, the first two, including performing counterparties, divide the exposures into those for which a significant increase in credit risk (SICR) has not been detected compared to the initial recognition (stage 1) and those that have experienced it (stage 2) even though they are not among Not performing 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 following are included:

- the positions classified in Watchlist through the monitoring process;
- positions classified in Forborne performing;
- financial assets that are more than 30 days past due (figure calculated at Group level by the "mode" engine following the introduction of the new Past Due EBA);

while financial assets overdue within 30 days are excluded, since, given the peculiarity of the factoring activity of operating on trade receivables, it is presumable to expect that a delay in payment on the due date of the invoice is not representative of an actual state of difficulty of the subject.
Finally, with regard to Not performing counterparties, i.e. stage 3 identification, all exposures in Past Due, Unlikely to Default and Bad Loans statuses are included.
The positions classified in the various stages and in the states of Not performing loans are highlighted in the various management phases by the information system in order to monitor their exposures and guarantee the activities aimed at controlling credit risk.

Expected Loss

The "expected loss" represents an estimate of potential losses, which is calculated on the basis of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) with reference to a time horizon that depends on the staging assigned to the individual reports; More precisely, the time frame of impairment is equal to one year in the case of positions classified at stage 01 and the residual contractual life in the case of positions classified at stage 02.
In particular, in line with the guidelines established by the Parent Company, the Company has adopted a similar valuation model for the generality of performing loans included in stage 1 and stage 2, whose only differentiating element is represented by the time horizon of the duration of the loan and, consequently, the estimate of the expected loss.

In this model, the above-mentioned parameters are calculated, which, when applied to individual exposures, determine the expected loss:

- PD (Probability of Default) – probability of default, a parameter that expresses in percentage terms the probability of a counterparty migrating from a “performing” state to a “default” state within a one-year time horizon or in a shorter period if the expected residual life is less than 12 months (stage 1) or over the entire remaining life of the credit (stage 2). The parameter is calculated taking into account forward-looking information, with particular reference to the implementation of a plurality of macroeconomic scenarios, based on a specific model adopted by the Parent Company;
- LGD (Loss Given Default) – loss rate in the event of insolvency, a parameter that expresses in percentage terms the incidence of the loss, net of recoveries, compared to the amount of the past exposure to insolvency, measured on the basis of the historical experience of recoveries observed on practices classified as Not performing and Unlikely-to-pay. The expected loss also includes legal costs incurred and discounting factors for recoveries made.

For Not performing positions, i.e. in stage 3, the estimate of the expected loss is calculated in flat or analytical mode as better described in paragraph “3. Not performing credit exposures”.

Assessment of the significant increase in SICR credit risk

Also during the current year, the risk control actions in place continued in light of the current and prospective context in which the Company operates; in fact, although the effects of the Covid-19 pandemic can be considered substantially absorbed, the events that occurred in the immediate post-pandemic context – such as, for example, the outbreak of the Russian-Ukrainian conflict, the energy and inflationary crisis, the tensions on production chains, the rapid and significant increase in interest rates, the Israeli-Palestinian conflict – configure a macroeconomic and geopolitical landscape that is still characterized by from a not inconsiderable uncertainty.
“Without notification transactions” were carefully managed and, where deemed necessary to protect existing and prospective risks, “transformed” into notified transactions. Within the structures of the Groups with a distribution chain (e.g. importer of cars with the related “dealer” assigned Debtors), significant interventions were granted by the Assignors, and carefully evaluated by Factorit, in the form of widespread extensions on the maturities of the receivables already assigned, to support product stocks.
The Company has not implemented any extraordinary support measures for Clients as a result of the crisis.
Once these premises have been exhausted, the assessment of the actual occurrence of a significant increase in credit risk, on the basis of which the staging is assigned, takes place at the level of the individual report, considering the time lapse between the date of origination of the credit and the reporting date, and using “absolute” indicators and triggers for this assessment, such as the forbearance status or the presence of the watchlist indicator.

Measurement of expected losses

As described in the paragraph "Section 4 Other Aspects" contained in "Part A – Accounting policies", the determination of expected losses on Not performing loans implies significant elements of judgment, with particular reference to the model used to measure losses and the related risk parameters, the triggers considered expressive of a significant deterioration in credit, and the selection of macroeconomic scenarios. In particular, the inclusion of forward-looking factors requires the formulation of macroeconomic forecasts, the selection of scenarios and their probabilities of occurrence, as well as the definition of a model capable of expressing the relationship between the aforementioned macroeconomic factors and the default rates of the exposures being assessed. The Company, through the Parent Company, carries out this activity with the support of a specialized external company (Prometeia) which provides the software necessary for processing. The company's procedures require the responsible departments to reassess, according to a principle of prudence, the values mechanically determined through the use of the calculation algorithms developed and the related risk factors, balancing the need for timely updating and timely re-evaluation of the level of risk of the counterparties with those of stability and robustness of the estimates. In the face of well-founded evidence of an expected worsening of the risk, not captured by the valuation models, they can supplement the results by means of incremental correction factors of a temporary nature.
In this regard, it is useful to mention that, starting from September 2022, the Company will use management overlays[1] aimed at ensuring that the final level of collective write-downs fully corresponds to the actual level of risk – current and prospective – of the counterparties in its portfolio, in light of the particular macroeconomic and geopolitical context that has arisen, as well as to factor in advance estimates of the effects on the provision for collective impairment losses deriving from the future adoption of risk parameters (in particular, PD and LGD) developed for regulatory purposes. The overall effect on the impairment of the aforementioned items recorded at the end of the 2023 accounting year was approximately Euro 3 million.
In general, the macro-economic scenarios contain forecasts for the evolutionary dynamics of dozens of macro-economic variables, developed over multi-year time horizons and generally updated on a quarterly basis under market conditions considered standard[2] and are made the subject of specific analysis and discussion, also with the support of the Parent Company. They are characterized by different degrees of adversity / favour of the evolution of the general macro-economic context.
For the purposes of estimating write-downs, a base scenario has historically been considered, defined as a function of the "central" evolutionary trend of the macro-economic variables with respect to their value observed at the initial time of the estimate and which should therefore be configured as the one whose realization is generally considered as most probable and future, and two so-called "alternative" scenarios – "adverse" and "favourable" scenarios – which instead underlie evolutions in a more unfavourable / favourable sense, both considered plausible and not extreme, respectively, of the macroeconomic context. The relevance with which these individual scenarios are included in the final calculation of write-downs is modulated on the basis of an appropriate set of weighting coefficients which, in general, depend on the estimate of the severity

[1] They consist of a set of multiplicative coefficients applied to the model-based devaluation values of the individual positions, which are calibrated on the basis of the evolutionary dynamics of geo-sectoral risk indicators.
[2] However, these estimates may be updated on an ad-hoc basis if the provider identifies elements of atypicality and/or particular turbulence in the general macro-economic context.

assigned to each scenario by the external supplier, suitably processed and made the subject of specific internal analyses at the Parent Company.
However, also during 2023, the Company maintained the prudential approach, adopted since the outbreak of the Russian-Ukrainian conflict during the previous year, which provides for the replacement of the “favourable” scenario with the one called “extreme adverse” and the revision of the weighting factors that led to the attribution of greater weight to this scenario. In order to ensure optimal monitoring of these aspects in view of the particular importance acquired by them, the Company, through the support of the Parent Company, continued to periodically carry out ad-hoc analyses of both a qualitative and quantitative nature in this area, also through the conduct of regular benchmarking analyses with other available information sources, in particular, both alternative providers and publications of the main national and foreign bodies and institutions of proven reputation (so-called third party data).
In this regard, it should be noted that the Company has adopted the following three different macro-scenarios and their respective weighting factors for the calculation of the December 2023 write-downs, in line with the Parent Company:

- a baseline scenario, corresponding to the counterpart issued by the official supplier at the time of the last forecast report available on the date of calculation of collective write-downs, to which a probability coefficient of 65% is attributed;
- a (slightly) adverse scenario, corresponding to the corresponding scenario issued by the official supplier on the occasion of the last forecast report available on the date of calculation of collective write-downs, to which a probability coefficient of 25% is attributed;
- an extreme adverse scenario, corresponding to the equivalent scenario issued by the official supplier on the occasion of the last forecast report available on the date of calculation of collective write-downs, to which a probability coefficient of 10% is attributed.

Finally, with regard to the weighting with which the above-mentioned scenarios contribute to the final calculation of write-downs, the baseline scenario – which, in accordance with its name, configures the evolution of the macro-economic context considered most plausible and futuristic at the time of formulating the forecasts – is assigned the highest probabilistic coefficient, whereas the so-called alternative scenarios, due to their “residual” nature, are assigned the highest probabilistic coefficient, Lower weight factors are assigned.

Table 1 shows the evolution of the main macro-economic variables (gross domestic product, unemployment and inflation) for each of the above scenarios over a three-year forecast horizon.

Table 1 – Annual forecasts for the main macro variables

Macroeconomic variables	Baseline Scen. Dic. 2023			Adverse Scen. Dic. 2023			Extr. Adverse. Scen. Dic. 2023		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Italy's GDP (% on an annual basis)	0,4%	0,8%	0,9%	-0,4%	0,5%	0,5%	-1,9%	0,1%	0,2%
Unemployment Italy	7,7%	7,5%	7,3%	8,0%	8,5%	9,0%	8,4%	9,6%	10,4%
Inflation Italy (% on an annual basis)	2,4%	1,8%	1,5%	4,0%	2,5%	2,3%	6,8%	2,2%	1,0%

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 Bank has also carried out, in accordance with both industry best practices and the most recent recommendations given by the supervisory authorities[3], specific sensitivity analyses on the level of impairment of its performing exposures, the results of which are summarized in the tables below.

In particular, **Table 2** shows, divided by management macro-segment and stage, the different levels of impairment that correspond to the three individual scenarios – basic, adverse and extreme – used for the calculation of the official value, as well as the weighted value on the basis of the probabilistic coefficients mentioned above.

Table 2 - Write-downs [in €/thousand] at 31 December 2023 for the performing positions of the Company's portfolio associated with different macro-economic 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**
Others	Stage 01	403,7	441,8	483,2	421,1
	Stage 02	0,7	0,7	0,8	0,8
	Total	**404.4**	**442.5**	**484.0**	**421.9**
Trade	Stage 01	2.523,0	2.693,4	2.873,7	2.600,6
	Stage 02	14,9	16,0	17,1	15,4
	Total	**2.537,9**	**2.709,4**	**2.890,8**	**2.616,0**
Agriculture / Industry / Service	Stage 01	4.649,0	4.798,0	4.954,4	4.716,8
	Stage 02	136,5	142,1	148,0	139,0
	Total	**4.785,5**	**4.940,1**	**5.102,4**	**4.855,8**
Construction	Stage 01	494,4	501,5	508,8	497,6
	Stage 02	0.0	0.0	0.0	0.0
	Total	**494,4**	**501,5**	**508,8**	**497,6**
Central Administration	Stage 01	14,7	16,5	18,3	15,6
	Stage 02	0.0	0.0	0.0	0.0
	Total	**14,7**	**16,5**	**18,3**	**15,6**
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	8.084,8	8.451,2	8.838,4	8.251,7
	Stage 02	152,1	158,8	165,9	155,2
	Total	**8.236,9**	**8.610,0**	**9.004,3**	**8.406,9**

[3] See, for example, ESMA32 -63 – 791 of 22 October 2019.

Dually, **Table 3** shows the value of the write-downs that would be obtained in correspondence with four different choices of probabilistic coefficients[4] compared to the official one adopted.

Table 3 - Write-downs (in €/thousands) at 31 December 2023 for the performing exposures of the Company's loan portfolio associated with different weightings of the macro-economic scenarios

Management Macrosegment	Stage	Scen. base [€/1.000]	Scen. avv. [€/1.000]	Scen. est. [€/1.000]	Scen. pond. [€/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**
Others	Stage 01	421,0	415,2	427,0	415,1
	Stage 02	0,8	0,7	0,7	0,7
	Total	**421,8**	**415,9**	**427,7**	**415,8**
Trade	Stage 01	2.600,1	2.574,6	2.626,7	2.574,1
	Stage 02	15,4	15,3	15,6	15,2
	Total	**2.615,5**	**2.589,9**	**2.642,3**	**2.589,3**
Agriculture / Industry / Service	Stage 01	4.716,5	4.694,1	4.739,5	4.693,7
	Stage 02	139,0	138,2	139,9	138,2
	Total	**4.855,5**	**4.832,3**	**4.879,4**	**4.831,9**
Construction	Stage 01	497,6	496,5	498,7	496,5
	Stage 02	0.0	0.0	0.0	0.0
	Total	**497,6**	**496,5**	**498,7**	**496,5**
Central Administration	Stage 01	15,5	15,3	15,8	15,3
	Stage 02	0.0	0.0	0.0	0.0
	Total	**15,5**	**15,3**	**15,8**	**15,3**
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	8.250,7	8.195,7	8.307,7	8.194,7
	Stage 02	155,2	154,2	156,2	154,1
	Total	**8.405,9**	**8.349,9**	**8.463,9**	**8.348,8**

Finally, with reference to the determination of expected losses on exposures classified in stage 3, i.e. Not performing exposures, reference should be made to what is illustrated in "Part A – Accounting policies". In more detail, as at 31 December 2023, the expected losses on Not performing loans are determined analytically on the basis of the recovery forecasts, discounted on the basis of the original effective interest rates and the related recovery time. Considering that the recovery forecasts take the specific situation of the debtor as a reference, it is considered not significant to provide a reasonable analysis of the sensitivity of the expected losses.

d) Credit risk mitigation techniques

The Company mitigates its exposure to credit risk, in its various meanings, through the adoption of strategies, safeguards and management initiatives aimed at limiting and, where possible, containing the highest level of risk assumed.

[4] The weighting values for the baseline, adverse and favourable scenarios are 60%-35%-5% (alternative weighted scenario 1), 75%-20%-5% (alternative weighted scenario 2), 55%-30%-15% (alternative weighted scenario 3) and 70%-30%-0% (alternative weighted scenario 4), respectively.

Any critical issues, identified downstream of the credit risk identification and assessment processes and during the periodic monitoring of the related exposure, trigger the activation or addressing of specific interventions to prevent and mitigate the risks detected, aimed at dealing with the onset or exacerbation of events potentially likely to deteriorate the company's profitability and assets and, in the event of their materiality, to stem the negative consequences.
As part of the company's activities, the adoption of safeguards such as:

- an increase in the number of trade relations brokered;
- the acquisition and management of guarantees or credit insurance coverage;
- the presence of mitigation clauses in "without recourse" relationships, the activation of which is aimed at ensuring a credit risk profile deemed acceptable to the Company, in line with its risk appetite;
- preventive measures aimed at limiting particularly concentrated exposures, such as to lead to an intensification of controls and risk analyses to be carried out prior to the execution of operations;
- corrective actions of the risk profile, to be implemented in the event of exacerbation of the levels of risk assumed, with the aim of bringing the amount of exposure back within the limits of acceptability and restoring a situation suitable for risk appetite.

3. Not performing credit exposures

The technical and organisational procedures used in the management and control of Not performing receivables are structured in relation to the degree of anomaly of the position.
As far as non-compliance is concerned, final and trend monitoring is carried out with the aim of:

- verify the reversibility or otherwise of the counterparties' state of economic and financial difficulty;
- evaluate the repayment plans submitted with reference to the relative repayment capacities within the timeframe set out in the plans themselves, also taking into account the requests for a reduction in the conditions applied to the positions in question;
- examine the outcome of the initiatives taken to normalise/recover receivables (repayment plans, revisions of technical forms of use, etc.) as well as the reasons for their possible failure;
- determine the relative loss forecasts in an analytical manner, taking into account the economic and financial context of reference.

With regard to doubtful receivables, risk control is carried out through the following activities:

- for new positions, a request to settle them;
- possible assignment to exhibition companies;
- assignment of new positions to external lawyers for the initiation of hardship actions against the assigned debtors, the assignors and any guarantors;
- for positions already recovered, verification of counterparties' compliance with their commitments;
- periodic verification, through the analysis of individual positions, of the correctness of the classification and the estimate of expected losses.

In particular, for Bad Loans and Unlikely-to-Pay exposures, the Legal, Debt Recovery and Litigation Department, which is responsible for quantifying analytical loss forecasts, takes into account prospective recovery expectations in its assessments. In addition, the

Company has a process in place that allows the recoverable amounts to be discounted according to the EIR rate of the transaction at the time of the first passage into Probable Default or Not performing Loans.
For Past Due exposures, in view of the historically low relevance of this class, the Company uses a single parameter for the calculation of value adjustments on a flat-rate basis, calculated in line with the model adopted for performing exposures. This parameter is subject to periodic review on the basis of the evolution of these exposures, considering a time frame of 7 years.

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

The granting to a Debtor who is or is about to face difficulties in meeting his financial commitments is regulated in the "Credit Process Guidelines", approved by the Board of Directors.
In order for an exposure to be identified as forborne, it is therefore necessary that, on the basis of specific assessments by the Credit Department (in the case of non-impaired exposure) or the Legal, Debt Collection and Litigation Department (in the case of Not performing exposures), both of the following conditions are met:

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

A concession is therefore made in conjunction with one of the following actions:

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

The identification of potential forborne receivables is relevant regardless of the classification of the counterparty and is therefore carried out with reference to both performing and not performing exposures.
The verification of the granting of forbearance is carried out at the level of the individual factoring relationship, i.e. Assignor without recourse or Debtor without recourse. It follows that only those for which a concession is made to the counterparty are considered as forborne exposures, the other relationships remaining unchanged or renegotiated.
For the above, the expected losses on the positions subject to concessions are estimated in relation to the classification of the financial instrument that may fall into stage 2 (forborne performing) or stage 3 (forborne Not performing).

Supervisory expectations on climate and environmental risks

With communication Prot. 0582630/22 of 07/04/2022, the Bank of Italy given its own "Supervisory Expectations on Climate-related and Environmental Risks" (in line with the expectations formalised by the ECB in the "ECB Final Guide on Climate-related and environmental risks" published in November 2020), a document containing non-binding guidance for financial intermediaries on the integration of climate and environmental risks into their governance and control systems, in the business model and corporate strategy,

in the organizational system and operational processes, in the risk management system and in the disclosure to the market.
With a subsequent communication Prot. 1940148/22 of 28 December 2022, the Bank of Italy requested all financial intermediaries (including Factorit) to draw up an Action Plan, to be sent to it by 31 March 2023, in order to follow up on a concrete application of the aforementioned expectations and promote a progressive integration of the aforementioned risks at company level in the medium term.
This Plan, approved by the Company's Board of Directors and sent to the Supervisory Authority on 15 March 2023, provides evidence of the actions that the Company intends to implement over a multi-year time horizon (2023-2025) to integrate issues related to climate and environmental risks into the overall corporate context, in line with the activities, principles and guidelines dictated by the Parent Company. It also defines the priorities and timescales required to complete the various initiatives, taking into account the extent of exposure to risks and the size and complexity of the company's operations.
In order to follow up on the activities defined in the ESG multi-year plan, a specific project was launched during the second half of 2023, involving the structures of Factorit and the Parent Company. The main activities carried out during 2023 include the definition of methodologies and the start of the process of carrying out the first materiality analysis of Factorit's climatic and environmental factors, with the related formalization of the results, which will be presented to the Board of Directors of the subsidiary by the first quarter of the current year. Further activities completed in 2023 concerned the provision of specific training courses on ESG issues to members of the Board of Directors and relevant Factorit personnel, as well as interventions to assign and specify the roles and responsibilities of the Company's internal bodies and functions. The details of the Programme of activities planned for the year 2024 are formalised as part of the document "Action Plan on Factorit's climate and environmental risks", discounting a physiological margin of flexibility, also in relation to the potential changes that will be introduced at the level of the Parent Company.

INFORMATION OF A QUANTITATIVE NATURE

1. Distribution of financial assets by portfolio and credit quality (balance sheet values)

Category	Bad loans exposures	Unlikely-to-pay exposures	Impaired past due exposures	Unimpaired past due exposures	Other Unimpaired assets	Total
1. Financial assets measured at amortised cost	12.780	2.565.166	8.369	77.755.790	4.197.469.495	4.277.811.600
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	-	-	-	-	-	-
31/12/2023	**12.780**	**2.565.166**	**8.369**	**77.755.790**	**4.197.469.495**	**4.277.811.600**
31/12/2022	**48.751**	**958.782**	**4.922**	**42.964.914**	**3.488.016.000**	**3.531.993.369**

2. Distribution of financial assets by portfolio and credit quality (gross and net)

Categories	Performing			Total partial Write-off	Not performing			Total (net exposure)
	Gross Amount	Total impairment losses	Net exposure		Gross Amount	Total partial Write-off	Net exposure	
1. Financial assets measured at amortised cost	12.469.515	9.883.200	2.586.315	8.054.761	4.282.850.633	7.625.348	4.275.225.285	4.277.811.600
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-	-	-
3. Financial assets measured at fair value	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	-
5. Financial assets available for sale	-	-	-	-	-	-	-	-
Total 31/12/2023	**12.469.515**	**9.883.200**	**2.586.315**	**8.054.761**	**4.282.850.633**	**7.625.348**	**4.275.225.285**	**4.277.811.600**
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**

Portfolio/quality	Assets with poor credit quality	Other assets	Total
1. Financial assets held for trading	-	-	**-**
2. Hedging derivatives	-	-	**-**
31/12/2023	**-**	**-**	**-**
31/12/2022	**-**	**-**	**-**

3. Distribution of financial assets for maturity bands (carrying values)

Portfolio/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	57.263.718	-	-	62.897	20.429.175	-	-	555.865	1.574.615	-	-	-
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2023	**57.263.718**	**-**	**-**	**62.897**	**20.429.175**	**-**	**-**	**555.865**	**1.574.615**	**-**	**-**	**-**
31/12/2022	**38.797.520**	**-**	**-**	**24.217**	**4.143.177**	**-**	**25.563**	**148.644**	**122.977**	**-**	**-**	**-**

4. Financial assets, commitments to disburse funds and financial guarantees given: dynamics of total value adjustments and total provisions (carrying values)

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 through OCI	Financial assets in the process of being disposed	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 through OCI	Financial assets in the process of being disposed	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 through OCI	Financial assets in the process of being disposed	of which: individual write-downs	Of which: collective write-downs
Initial overall adjustments	**-**	**3.526.713**	-	-	-	**3.526.713**	**-**	**158.010**	**-**	**-**	**-**	**158.010**	**-**	**9.711.848**	**-**	**-**	**9.711.848**	**-**
Increases in financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-3.100.900	-	-	-	-3.100.900	-	-20.181	-	-	-	-20.181	-	-589.200	-	-	-589.200	-
Net impairment losses/reversals for credit risk (+/-)	-	7.109.848	-	-	-	7.109.848	-	-44.166	-	-	-	-44.166	-	5.200.150	-	-	5.200.150	-
Contract changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-4.443.574	-	-	-4.443.574	-
Other changes	-	-3.966	-	-	-	-3.966	-	-10	-	-	-	-10	-	3.976	-	-	3.976	-
Overall closing adjustments	**-**	**7.531.695**	-	-	-	**7.531.695**	**-**	**93.653**	**-**	**-**	**-**	**93.653**	**-**	**9.883.200**	**-**	**-**	**9.883.200**	**-**
Recoveries from cash inflows on write-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	507.749	-	-	507.749	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Risk stages	Overall value adjustments					Total provisions on commitments to disburse funds and financial guarantees given				Total
	Impaired financial assets acquired or originated									
	Financial assets measured at amortised cost	Financial assets measured at fair value through OCI	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 given acquired or originated	
Overall initial adjustments	-	-	-	-	-	**309.768**	**30.958**	-	-	**13.737.297**
Increases in financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	**-3.710.281**
Net impairment losses/reversals for credit risk (+/-)	-	-	-	-	-	461.856	-20.904	107.081	-	**12.813.865**
Contract changes without cancellations	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in the income statement	-	-	-	-	-	-	-	-	-	**-4.443.574**
Other changes	-	-	-	-	-	-	-	-	-	-
Overall closing adjustments	-	-	-	-	-	**771.624**	**10.054**	**107.081**	-	**18.397.307**
Recoveries from cash inflows on write-off financial assets	-	-	-	-	-	-	-	-	-	**507.749**
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-

For the sub-item relating to “commitments and other financial guarantees given”, it should be noted that the adjustments are due both on commitments to disburse “approved with recourse” transactions (formal without recourse), i.e. the difference between the amount of receivables of the approved recourse and the related advance (the latter recognised in the assets of the financial statements in the name of the Assignor), and commitments relating to the “committed lines” given to certain customers of high standing.

5. Financial assets, commitments to provide funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal values)

Portfolio/stage of risk	Gross value/ Nominal value					
	Transfers from first to second stage		Transfers from second to third stage		Transfers from first to third stage	
	From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
1. Financial assets measured at amortised cost	24.301.809	26.713.490	280.895	-	6.301.710	650.182
2. Financial assets measured at fair value through OCI	-	-	-	-	-	-
3. Discontinued financial assets	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	115.997	24.685.156	2	-	301.396	1
Total 31/12/2023	**24.417.806**	**51.398.646**	**280.897**	**-**	**6.603.106**	**650.183**
Total 31/12/2022	**93.853.135**	**68.208.056**	**-**	**-**	**1.406.795**	**44.405**

6. Credit exposures to customers, banks and financial institutions

6.1 Credit and off-balance sheet exposures to banks and financial corporations: Gross and net values

Exposure types	Gross exposure				Total value adjustments and total provisions				Net exposure	Total partial Write-off
	First stage	Second stage	Third Stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON BALANCE SHEET EXPOSURES										
A.1 ON-DEMAND	**953.086**	-	-	-	-	-	-	-	**953.086**	-
a) Performing	-	-	-	-	-	-	-	-	-	-
b) Not performing	**953.086**	-	-	-	-	-	-	-	**953.086**	-
A.2 OTHERS	**596.808.471**	-	-	-	**334.335**	-	-	-	**596.474.136**	-
(a) Bad loans	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
b) Unlikely-to-pay	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
(c) Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
(d) Non-impaired past due exposures	2.118.187	-	-	-	7.906	-	-	-	2.110.281	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
(e) Other non-impaired exposures	594.690.284	-	-	-	326.429	-	-	-	594.363.855	-
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL A	**597.761.557**	-	-	-	**334.335**	-	-	-	**597.427.222**	-
B. OFF BALANCE SHEET EXPOSURES										
a) Performing	-	-	-	-	-	-	-	-	-	-
b) Not performing	1.927.135	-	-	-	5.245	-	-	-	1.921.890	-
TOTAL B	**1.927.135**	-	-	-	**5.245**	-	-	-	**1.921.890**	-
TOTAL A+B	**599.688.692**	-	-	-	**339.580**	-	-	-	**599.349.112**	-

In addition to the commitments on the without recourse portion not yet advanced, off-balance sheet credit exposures are also reported as credit margins granted to customers.

6.2 Cash credit exposures to banks and financial institutions: Dynamics of gross not performing exposures

Categories	Bad loans exposures	Unlikely-to-pay exposures	Not performing past-due exposures
A. Initial gross exposure	**-**	**-**	**-**
- of which: not cancelled sold exposures	-	-	-
B. Increases	**-**	**-**	**-**
B.1 Inputs from performing exposures	-	-	-
B.2 Income from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of not performing exposures	-	-	-
B.4 Contract changes without cancellations	-	-	-
B.5 Other increasing changes	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 Expenditure to performing exposures	-	-	-
C.2 Write-off	-	-	-
C.3 Receipts	-	-	-
C.4 Realized gains on disposals	-	-	-
C.5 Disposal losses	-	-	-
C.6 Transfers to other categories of not performing exposures	-	-	-
C.7 Contract changes without cancellations	-	-	-
C.8 Other decreasing changes	-	-	-
D. Final gross exposure	**-**	**-**	**-**
- of which: not cancelled sold exposures	-	-	-

6.2 bis Cash credit exposures to banks and financial institutions: dynamics of gross lending exposures broken down by credit quality

Reason/Quality	Forborne exposures: not performing	Forborne exposures: performing
A. Initial gross exposure	**-**	**-**
- of which: not cancelled sold exposures	-	-
B. Increases	**-**	**-**
B.1 Inputs from performing exposures not subject to forborne	-	-
B.2 Inputs from performing exposures subject to forborne	-	-
B.3 Inputs from not performing exposures	-	-
B.4 Other increasing changes	-	-
C. Decreases	**-**	**-**
C.1 Expenditure on performing exposures not subject to concessions	-	-
C.2 Concession-granted outflows to performing exposures	-	-
C.3 Expenditure on not performing exposures	-	-
C.4 Write-off	-	-
C.5 Receipts	-	-
C.6 Disposal earnings	-	-
C.7 Disposal losses	-	-
C.8 Other decreasing changes	-	-
D. Final gross exposure	**-**	**-**
- of which: not cancelled sold exposures	-	-

6.3 Not performing On-balance sheet exposures to banks and financial institutions: Dynamics of total value adjustments

Reasons/Categories	Bad loans exposures		Unlikely-to-pay exposures		Not performing 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 cancelled sold exposures	-	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Impairment losses from impaired financial assets acquired or originated	-	-	-	-	-	-
B.2 Other value adjustments	-	-	-	-	-	-
B.3 Disposal losses	-	-	-	-	-	-
B.4 Transfers from other categories of not performing exposures	-	-	-	-	-	-
B.5 Contract changes without cancellations	-	-	-	-	-	-
B.6 Other increasing changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Value reversals from valuation	-	-	-	-	-	-
C.2 Cash reversals	-	-	-	-	-	-
C.3 Gains on disposal	-	-	-	-	-	-
C.4 Write-off	-	-	-	-	-	-
C.5 Transfers to other categories of not performing exposures	-	-	-	-	-	-
C.6 Contract changes without cancellations	-	-	-	-	-	-
C.7 Other decreasing changes	-	-	-	-	-	-
D. Final total adjustments	**-**	**-**	**-**	**-**	**-**	**-**
- of which: not cancelled 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	-	-	4.064.574	-	-	-	4.051.794	-	12.780	4.996.461
- of which: forborne exposures	-	-	191.946	-	-	-	191.946	-	-	-
b) Unlikely-to-pay	-	-	8.395.744	-	-	-	5.830.578	-	2.565.166	3.017.902
- of which: forborne exposures	-	-	172.370	-	-	-	107.897	-	64.473	-
(c) Not performing past due exposures	-	-	9.197	-	-	-	828	-	8.369	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
(d) Performing past due exposures	55.217.500	20.551.746	-	-	64.063	59.674	-	-	75.645.509	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
(e) Other performing exposures	3.596.564.912	13.708.004	-	-	7.133.297	33.979	-	-	3.603.105.640	40.398
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
TOTAL A	**3.651.782.412**	**34.259.750**	**12.469.515**		**7.197.360**	**93.653**	**9.883.200**		**3.681.337.464**	**8.054.761**
B. OFF BALANCE SHEET EXPOSURES										
a) Not performing	-	-	545.910	-	-	-	107.081	-	438.829	-
a) Performing	604.979.196	5.003.369	-	-	766.379	10.054	-	-	609.206.132	-
TOTAL B	**604.979.196**	**5.003.369**	**545.910**	**-**	**766.379**	**10.054**	**107.081**	**-**	**609.644.961**	**-**
TOTAL A+B	**4.256.761.608**	**39.263.119**	**13.015.425**	-	**7.963.739**	**103.707**	**9.990.281**	**-**	**4.290.982.425**	**8.054.761**

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 Not performing exposures

Reasons/Categories	Bad Loans	Unlikely-to-pay exposures	Not performing past due exposures
A. Initial gross exposure	**5.050.724**	**5.668.170**	**5.409**
- of which: not cancelled sold exposures	-	-	-
B. Increases	**528.970**	**11.982.359**	**9.197**
B.1 Inputs from performing exposures	62.525	7.418.698	9.197
B.2 Income from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of not performing exposures	406.041	-	-
B.4 Contract changes without cancellations	-	-	-
B.5 Other increasing changes	60.404	4.563.661	-
C. Decreases	**1.515.120**	**9.254.785**	**5.409**
C.1 Expenditure to performing exposures	-	-	-
C.2 write-off	1.181.174	3.262.400	-
C.3 Receipts	333.946	5.585.280	5.409
C.4 Realized gains on disposals	-	-	-
C.5 Disposal losses	-	-	-
C.6 transfers to other categories of not performing exposures	-	406.041	-
C.7 Contract changes without cancellations	-	-	-
C.8 Other decreasing changes	-	1.064	-
D. Final gross exposure	**4.064.574**	**8.395.744**	**9.197**
- of which: not cancelled sold exposures	-	-	-

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

Reasons/Quality	Forborne exposures: Not performing	Forborne exposures: performing
A. Gross initial exposures	**319.361**	**-**
- of which: not cancelled sold exposures	-	-
B. Increases	**484.997**	**-**
B.1 Inputs from performing exposures not subject to forborne	124.734	-
B.2 Inputs from performing exposures subject to forborne	-	-
B.3 Inputs from not performing exposures	190.186	-
B.4 Other increasing changes	170.077	-
C. Decreases	**440.042**	**-**
C.1 Expenditure on performing exposures not subject to concessions	-	-
C.2 Concession-granted outflows to performing exposures	-	-
C.3 Expenditure on not performing exposures	178.081	-
C.4 write-off	131.309	-
C.5 Receipts	130.652	-
C.6 Disposal earnings	-	-
C.7 Disposal losses	-	-
C.8 Other decreasing changes	-	-
D. Final gross exposure	**364.316**	**-**
- of which: not cancelled sold exposures	-	-

6.6 Not performing On-balance sheet exposures to customers: dynamics of total impairment losses

Reasons/Categories	Bad loans exposures		Unlikely-to-pay exposures		Not performing past due exposures	
	Total	Of which: Forborne exposures	Total	Of which: Forborne exposures	Total	Of which: Forborne exposures
A. Initial total adjustments	**5.001.973**	**-**	**4.709.388**	**143.642**	**487**	**-**
- of which: not cancelled sold exposures	-	-	-	-	-	-
B. Increases	**483.786**	**191.946**	**4.977.757**	**234.483**	**828**	**-**
B.1 Impairment losses from impaired financial assets acquired or originated	-	-	-	-	-	-
B.2 Other value adjustments	237.551	100.843	4.973.791	234.483	824	-
B.3 Disposal losses	-	-	-	-	-	-
B.4 Transfers from other categories of not performing exposures	246.229	91.103	-	-	-	-
B.5 Contract changes without cancellations	-	-	-	-	-	-
B.6 Other increasing changes	6	-	3.966	-	4	-
C. Decreases	**1.433.965**	**-**	**3.856.567**	**270.228**	**487**	**-**
C.1 Value reversals from valuation	891	-	11.125	5.905	-	-
C.2 Cash reversals	251.900	-	336.813	41.911	487	-
C.3 Gains on disposal	-	-	-	-	-	-
C.4 write-off	1.181.174	-	3.262.400	131.309	-	-
C.5 Transfers to other categories of not performing exposures	-	-	246.229	91.103	-	-
C.6 Contract changes without cancellations	-	-	-	-	-	-
C.7 Other decreasing changes	-	-	-	-	-	-
D. Final total adjustments	**4.051.794**	**191.946**	**5.830.578**	**107.897**	**828**	**-**
- of which: not cancelled sold exposures	-	-	-	-	-	-

7 Classification of financial assets, commitments to provide funds and financial guarantees given on the basis of internal and external rating classes

Factorit, as far as it is in place for the exposures belonging to the Central Governments and Central Banks portfolio, uses the external rating of the ECAI Scope Rating AG.

Company	Class of creditworthiness	Rating	Rating Italy at 31/12/2023
Scope Rating AG	2	B	BBB+

In addition, the company, with regard to the exposures belonging to the "Companies and other entities" portfolio, makes use of the external rating of the ECAI Cerved Rating Agency S.p.A. The valuations relate only to resident companies with an exposure equal to or greater than €1,5 million.

The weighting coefficients currently in force are as follows:

Class of creditworthiness	Weighting coefficient	Cerved Rating Agency Rating Class
1	0,2	A1.1, A1.2, A1.3
2	0,5	Da A2.1 a A3.1
3	1	B1.1, B1.2
4	1	B2.1, B2.2
5	1,5	C1.1
6	1,5	Da C1.2 a C2.1

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

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	**7.569.036**	**476.870.675**	**489.315.011**	**372.926.154**	**57.844.451**	**112.084**	**2.890.682.737**	**4.295.320.148**
- First stage	7.569.036	476.870.675	486.944.118	367.431.009	57.844.451		2.851.931.595	4.248.590.884
- Second stage			2.370.893	4.870.481		112.084	26.906.291	34.259.749
- Third stage				624.664			11.844.851	12.469.515
B. Financial assets measured at fair value through OCI	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A + B)	**7.569.036**	**476.870.675**	**489.315.011**	**372.926.154**	**57.844.451**	**112.084**	**2.890.682.737**	**4.295.320.148**
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-	-
C. Commitments to grant funds and financial guarantees given	**760.381**	**125.483.313**	**170.320.950**	**87.814.505**	**40.427.762**	**749.984**	**186.898.715**	**612.455.610**
- First stage	760.381	124.521.314	170.320.950	87.028.093	40.427.762	-	183.847.831	606.906.331
- Second stage		961.999		786.412		749.984	2.504.974	5.003.369
- Third stage							545.910	545.910
Total (C)	**760.381**	**125.483.313**	**170.320.950**	**87.814.505**	**40.427.762**	**749.984**	**186.898.715**	**612.455.610**
Total (A + B + C)	**8.329.417**	**602.353.988**	**659.635.961**	**460.740.659**	**98.272.213**	**862.068**	**3.077.581.452**	**4.907.775.758**

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 Distribution of cash and off-balance-sheet credit exposures by counterparty sector of economic activity

	Government and Central Banks			Other government agencies			Banks			Financial Institutions			Non-financial Institutions			Households		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. On balance-sheet exposures																		
A.1 Bad loans	-	-	-	-	397.451	-	-	-	-	-	-	-	12.780	3.592.233	-	-	62.110	-
Of which: forborne exposures													-	191.946				
A.2 Unlikely-to-pay	-	-	-	-	-	-	-	-	-	-	-	-	2.466.770	5.812.775	-	98.396	17.803	-
Of which: forborne exposures												-	64.473	107.897	-	-	-	
A.3 Not performing Past due exposures	-	-	-	749	74	-	-	-	-	-	-	-	5.405	535	-	2.215	219	-
Of which: forborne exposures																		
A.4 Other exposures	-	-	-	221.096.128	-	550.156	13.383.740	-	10.834	584.043.482		323.501	3.234.172.123		6.677.740	223.482.898	-	63.117
Of which: forborne exposures																		-
Total A	**-**	**-**	**-**	**221.096.877**	**397.525**	**550.156**	**13.383.740**	**-**	**10.834**	**584.043.482**		**323.501**	**3.236.657.078**	**9.405.543**	**6.677.740**	**223.583.509**	**80.132**	**63.117**
B. Off-balance sheet exposures																		
B.1 Not performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	438.827	107.081	-	2	-	-
B.2 Other exposures	-	-	-	1.832.207	-	843	561.262	-	1.067	1.360.629	-	4.177	605.963.698	-	772.586	1.410.226	-	3.005
Total B	**-**	**-**	**-**	**1.832.207**	**-**	**843**	**561.262**	**-**	**1.067**	**1.360.629**	**-**	**4.177**	**606.402.525**	**107.081**	**772.586**	**1.410.228**	**-**	**3.005**
Total 31/12/2023	**-**	**-**	**-**	**222.929.084**	**397.525**	**550.999**	**13.945.002**	**-**	**11.901**	**585.404.111**	**-**	**327.678**	**3.843.059.603**	**9.512.624**	**7.450.326**	**224.993.737**	**80.132**	**66.122**
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**

9.2 Distribution of cash and off-balance-sheet credit exposures by counterparty geographical segment

Exposures/geographical segment	ITALY		OTHER EUROPEAN COUNTRIES		USA		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	12.780	3.741.555	-	310.239	-	-	-	-	-	-
A.2 Unlikely-to-pay	2.565.166	5.830.578	-	-	-	-	-	-	-	-
A.3 Not performing past due exposures	8.369	828	-	-			-	-		
A.4 Other exposures	3.427.440.673	5.859.602	626.432.459	1.224.008	118.942.492	125.884	48.959.196	177.150	54.403.551	238.704
Total A	**3.430.026.988**	**15.432.563**	**626.432.459**	**1.534.247**	**118.942.492**	**125.884**	**48.959.196**	**177.150**	**54.403.551**	**238.704**
B. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Not performing exposures	438.829	107.081	-	-	-	-	-	-	-	
B.2 Other Exposures	586.034.315	744.072	24.752.896	37.181	278.439	309			62.372	116
Total B	**586.473.144**	**851.153**	**24.752.896**	**37.181**	**278.439**	**309**			**62.372**	**116**
Total 31/12/2023	**4.016.500.132**	**16.283.716**	**651.185.355**	**1.571.428**	**119.220.931**	**126.193**	**48.959.196**	**177.150**	**54.465.923**	**238.820**
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**

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

9.2.1 Distribution of credit exposures by counterparty geographical segment (Italy)

Exposures/geographical segment	North West Italy		Nord East Italy		Centre Italy		South Italy		Italy's Islands	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures										
Bad loans exposures	-	1.269.689	-	372.678	12.780	451.989	-	1.647.198	-	-
Unlikely-to-pay exposures	888.544	944.785	3.569	912.194	1.487.673	3.667.968	185.380	295.392	-	10.238
Impaired past due exposures	39	4	711	70	5.405	535	-	-	2.215	219
Other Operations	2.142.250.211	3.058.839	483.116.871	908.415	651.883.168	1.563.105	112.449.790	279.517	37.740.632	49.728
TOTAL A	**2.143.138.794**	**5.273.317**	**483.121.151**	**2.193.357**	**653.389.026**	**5.683.597**	**112.635.170**	**2.222.107**	**37.742.847**	**60.185**
B. Off balance sheet exposures										
Not performing exposures	194.316	107.081	-	-	244.512	-		-	-	-
Performing exposures	264.523.407	248.078	158.960.937	235.756	104.015.927	166.013	42.660.984	66.999	15.873.061	27.226
TOTAL B	**264.717.723**	**355.159**	**158.960.937**	**235.756**	**104.260.439**	**166.013**	**42.660.984**	**66.999**	**15.873.061**	**27.226**
(TOTAL A+B) 31/12/2023	**2.407.856.517**	**5.628.476**	**642.082.088**	**2.429.113**	**757.649.465**	**5.849.610**	**155.296.154**	**2.289.106**	**53.615.908**	**87.411**
(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**

9.3 Large exposures

	31/12/2023	31/12/2022
a) Carrying Amount	2.176.989.661	1.632.019.188
b) Weighted Amount	1.319.803.729	958.654.476
c) Number	31	20

In accordance with regulatory provisions, the total amount and number of counterparties whose risk position, proportionate to the "book value", exceeds 10% of own funds are disclosed.
The risks towards individual Clients are considered jointly if there are legal and/or economic connections between the Clients.
The item "Weighted Amount" represents the sum of on and off-balance sheet exposures to a Client, weighted in accordance with the rules provided for by prudential regulations in consideration of the nature of the debtor counterparty and any collateral acquired.
With the registration in the new Register of Financial Intermediaries on 23/05/2016, the margins relating to the revolving credits to customers are also included in the large exposures.

10. Models and other methodologies for measuring and managing credit risk

The company keeps up to date, as part of its factoring management system, the IT application that allows the daily monitoring, for estimated values, of Large Exposures.

11. Other quantitative information

For risk positions above the limit of 25% of the eligible capital, the Parent Company shall cover the excess of the individual limit by means of sureties.
It should be noted that as of 31 December 2023, the exposures covered by these guarantees referred to five leading Groups whose total exposure was equal to 56% of the total exposures of Major Risks.

3.2 – MARKET RISKS

Factorit, as the company does not have any assets in its trading portfolio, is not exposed to the related interest rate and price risks.
It is subject only to the interest rate risk on the assets placed in the banking book and marginally to the exchange rate risk: this is monitored through the Group's consolidated metrics, through the contribution to the daily management analyses, the Group's market risk capital requirement and the capital requirement provided for by the Fundamental Review of the Trading Book (FRTB) regulations, which are subject to parallel reporting at the level of the from September 2021.

3.2.1 Interest rate risk

QUALITATIVE DISCLOSURE

1 – General aspects

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.

QUANTITATIVE DISCLOSURE

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

Items/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	**1.932.135.892**	**1.380.802.421**	**144.460.207**	**107.377.149**	**378.790.380**	**210.557**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and receivables	1.932.135.892	1.380.802.421	144.460.207	107.377.149	378.790.380	210.557	-	-
1.3 Other Assets	-	-	-	-	-	-	-	-
2. Liabilities	**646.196.700**	**2.699.350.078**	**300.307.312**	**598.104**	**4.247.853**	**5.117.536**	**6.154.149**	**-**
2.1 Debiti	646.196.700	2.699.350.078	300.307.312	598.104	4.247.853	5.117.536	6.154.149	-
2.2 Debt securities	-	-	-	-	-	-	-	-
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-Item “Debts”, it should be noted that the amounts shown in the time bands beyond the year essentially refer to the real estate lease (accounted for in accordance with IFRS16) signed with a Group company.

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

Items/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	**192.809.856**	**119.604.611**	**4.108.206**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	192.809.856	119.604.611	4.108.206	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**173.985.405**	**125.166.632**	**13.022.253**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	173.985.405	125.166.632	13.022.253	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-

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

Items/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	**16.709.267**	**900.134**	**-**	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	16.709.267	900.134	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**16.751.803**	**712.918**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	16.751.803	712.918	-	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-

Breakdown of financial assets and liabilities by residual maturity (re-pricing date) – Currency: OTHER

Items/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	**131.879**	**724.127**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
1.2 Loans and Receivables	131.879	724.127	-	-	-	-	-	-
1.3 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**656.400**	**184.229**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debts	656.400	184.229	-	-	-	-	-	-
2.2 Debt securities	-	-	-	-	-	-	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
3.1 Long positions	-	-	-	-	-	-	-	-
3.2 Short positions	-	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	-	-
3.3 Long positions	-	-	-	-	-	-	-	-
3.4 Short positions	-	-	-	-	-	-	-	-

2. Models and other methods to measure and manage interest rate risk

The impact on future net interest income over 12 months resulting from an instant and parallel change, differentiated by currency of denomination, in interest rates, as indicated in the “parallel shock up” scenario described in the “Regulatory Technical Standards EBA/RTS/2022/10” is -3 million Euro.
Future interest margin means the difference between future interest income and future interest expense calculated on outstanding transactions and transactions to be settled at the reference date under constant volumes.
On the other hand, the change in interest rates over twelve months in the “parallel shock down” scenario described in the “Regulatory Technical Standards EBA/RTS/2022/10” would result in an increase in the margin of Euro 3 million.

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 Euro, would impact less than the threshold of attention provided in the regulatory provisions (20% in relation to Own Funds).

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 otherthan the Euro;
- foreign currency guarantees for transactions in Euro.

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

Items	Currency					
	US Dollar	Pound sterling	Yen	Canadian Dollar	Swiss franc	Other currencies
1. Financial assets	**316.522.673**	**17.609.401**	**420**	**316**		**855.270**
1.1 Debt securities	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Loans and Receivables	316.522.673	17.609.401	420	316	-	855.270
1.4 Other financial assets	-	-	-	-	-	-
2. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities	**312.174.290**	**17.464.721**	**-**	**-**	**5**	**840.624**
3.1 Debts	312.174.290	17.464.721	-	-	5	840.624
3.2 Debt securities	-	-	-	-	-	-
3.3 Other financial liabilities	-	-	-	-	-	-
4. Other liabilities	**867.435**	**31.637**	**113**	**-**	-	**5.589**
5. Derivatives	-	-	-	-	-	-
5.1 Long positions	-	-	-	-	-	-
5.2 Short positions	-	-	-	-	-	-
Total assets	**316.522.673**	**17.609.401**	**420**	**316**	**-**	**855.270**
Total liabilities	**313.041.725**	**17.496.358**	**113**	**-**	**5**	**846.213**
Difference (+/-)	**3.480.948**	**113.043**	**307**	**316**	**-5**	**9.057**

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, through a more intensive use of agile working methods (smart working).

Legal and conduct risks

Among the phenomena falling within the scope of operational risks, particular attention is paid to the analysis of economic manifestations attributable to violations of laws and regulations and to complaints, out-of-court and controversial proceedings of a legal nature, not directly related to the field of debt collection, in which the Company has incurred in carrying out the operation or activated by the same in order to see its right recognized. Given the peculiarity of these phenomena, the process of identifying, evaluating and monitoring these risks is carried out in agreement with the company structures responsible for overseeing specific regulatory areas or responsible for the management of active / passive litigation.
The monitoring of the risks in question consists in the registration and evaluation in prospective terms of disbursements deriving from legal cases, sanctioning procedures or out-of-court proceedings, including expenses for the services of external lawyers and any accounting provisions of a prudential nature allocated to Provisions for risk and Charges, 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 (through the use of selected indicators for monitoring potential threats to 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.
In addition, the monitoring of the balance by collection and lending deadlines is carried out through the production of a dedicated schedule (structural Maturity Ladder) designed to highlight any imbalances for each time period. The comparison of cumulative cash inflows and outflows over the 3-month and 1-year time horizons is also summarised by two indicators subject to specific thresholds. The results of the above-mentioned surveys, together with the situation of the loans available at the parent company and the banking system and the average funding rate for the quarter, are summarized in a specific monthly report called the Financial Risk Book.

INFORMATION OF QUANTITATIVE NATURE

The tables below have been compiled in accordance with the supervisory instructions given by the Bank of Italy. In particular, the undiscounted cash flows were placed in the relevant residual life bands, while excluding any lump sum write-down.

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

Items/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
On-balance sheet Assets	**416.618.130**	**161.762.613**	**554.238.285**	**592.432.457**	**1.148.155.234**	**438.124.137**	**242.894.619**	**308.002.531**	**88.728.884**	**211.483**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	416.618.130	161.762.613	554.238.285	592.432.457	1.148.155.234	438.124.137	242.894.619	308.002.531	88.728.884	211.483	-
A.4 Other assets	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet Liabilities	**646.196.697**	**332.771**	**2.264.000.237**	**300.001.673**	**135.015.397**	**300.307.313**	**598.105**	**2.191.404**	**2.056.449**	**11.271.686**	**-**
B.1 Due to:	-	-	-	-	-	-	-	-	-	-	-
- Banks	300.188.308	55.002	2.264.000.000	300.000.000	135.007.717	300.061.505	107.642	238.088	84.812	54.873	-
- Financial institutions	285.727.325	-	-	-	-	-	-	-	-	-	-
- Customers	60.281.064	277.769	237	1.673	7.680	245.808	490.463	1.953.316	1.971.637	11.216.813	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities											
Off-balance sheet exposures	**74.499.999**	**2.916.641**	**5.913.371**	**54.341.777**	**118.705.800**	**127.455.594**	**26.576.946**	**34.178.848**	**-**	**-**	**-**
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 Funding to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	74.499.999	2.916.641	5.913.371	54.341.777	118.705.800	127.455.594	26.576.946	34.178.848	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	74.499.999	2.916.641	5.913.371	54.341.777	118.705.800	127.455.594	26.576.946	34.178.848	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

With regard to total on-balance sheet liabilities, deposits to banks represent payables to the Parent Company for Euro 2.956.415.704.
With regard to payables, it should be noted that the amounts shown in the time bands beyond the year refer essentially to lease operations of real estate (accounted for in accordance with IFRS 16) with Group companies.

2. Time distribution by remaining contractual maturity of financial assets and liabilities – Currency of denomination: USD

Item s/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	After 5 years	Open term
On-balance sheet Assets	**16.871.151**	**3.313.476**	**78.317.936**	**14.591.706**	**114.497.117**	**89.540.910**		-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	16.871.151	3.313.476	78.317.936	14.591.706	114.497.117	89.540.910	-	-	-	-	-
A.4 Other activities							-	-	-	-	-
On-balance sheet Liabilities	**173.985.405**	**-**	**74**	**90.783.364**	**34.383.194**	**13.022.253**	**-**	-	-	-	-
B.1 Due to	-	-					-	-	-	-	-
- Banks	423.075	-	74	90.783.364	34.383.194	13.022.253	-	-	-	-	-
- Financial institutions	173.562.330	-					-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**548.517**	**-**	**11.371**	**6.757**	**383.901**	**-**	**-**	**-**	**-**	**-**	**-**
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 Funding to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	548.517	-	11.371	6.757	383.901	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	548.517	-	11.371	6.757	383.901	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

3. Time distribution by remaining contractual maturity of financial assets and liabilities – Currency of denomination: GBP

Item s/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
On-balance sheet Assets	**1.728.878**	**82.204**	**367.675**	**376.480**	**15.087.137**	**-**	**-**	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	1.728.878	82.204	367.675	376.480	15.087.137	-	-	-	-	-	-
A.4 Other activities	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet Liabilities	**15.030.026**	**-**	**-**	**1.733.871**	**700.824**	**-**	**-**	-	-	-	-
B.1 Payables to	-	-	-	-	-	-	-	-	-	-	-
- Banks	12.094	-	-	1.733.871	700.824	-	-	-	-	-	-
- Financial institutions	15.017.932	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**311.892**	**182.752**	**570.057**	**528.356**	**1.040.083**	**-**	**-**	**-**	**-**	**-**	**-**
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 Funding to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	311.892	182.752	570.057	528.356	1.040.083	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	311.892	182.752	570.057	528.356	1.040.083	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received		-	-	-	-	-	-	-	-	-	-

4. Temporal distribution by remaining contractual maturity of financial assets and liabilities – Currency of denomination: OTHER

Item s/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
On-balance sheet Assets	**133.027**	**-**	**65.761**	**656.353**	**2.445**	-	-	-	-	-	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.3 Financing	133.027	-	65.761	656.353	2.445	-	-	-	-	-	-
A.4 Other activities	-	-	-	-	-	-	-	-	-	-	-
On-balance sheet Liabilities	**632.201**	-	**122.247**	**60.722**	**25.459**	**-**	-	-	-	-	-
B.1 Payables to	-	-	-	-	-	-	-	-	-	-	-
- Banks	1.270	-	122.247	60.722	25.459	-	-	-	-	-	-
- Financial institutions	-	-	-	-	-	-	-	-	-	-	-
- Customers	630.931	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**21.307**	**-**	**-**	**-**	**80.128**	**-**	-	-	-	-	-
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 Funding to be received	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant funds	21.307	-	-	-	80.128	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	21.307	-	-	-	80.128	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-

Section 4 *Equity disclosure*

4.1 Equity

4.1.1 Qualitative disclosure

A company's equity constitutes the amount of capital allocated to the achievement of the corporate purpose and to the management of the risks associated with the company's activities. An adequate capital endowment is therefore mandatory for the development of the Company, while ensuring its solidity and stability over time.
Factorit, in accordance with the Group's policies, pays great attention to equity management with a view both to maximizing the return for the shareholder and to support the growth of loans.

4.1.2 Quantitative information

4.1.2.1 Equity: breakdown

Items	31/12/2023	31/12/2022
1. Share capital	**85.000.002**	**85.000.002**
2. Share Premium	**11.030.364**	**11.030.364**
3. Reserves	**165.738.838**	**157.985.405**
- income related	156.569.639	148.816.203
a) Legal	14.843.519	13.648.346
b) Statutory	-	-
c) Treasury shares	-	-
d) Other	141.726.120	135.167.857
- Other	9.169.199	9.169.202
4. Treasury shares	-	-
5. Valuation reserves	**-317.647**	**-497.061**
- Equity securities designated at fair value through OCI	-21.833	-197.044
- Hedging of equity instruments measured at fair value through OCI	-	-
- Financial assets (other than equity securities) measured at fair value through OCI	-	-
- Property and equipment	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Hedging of cash flows	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange rate differences	-	-
- Non-current assets and discontinued operations	-	-
- Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-
- Special revaluation laws	-	-
- Actuarial gains/losses related to defined benefit pension plans	-295.814	-300.017
- Share of valuation reserves relating to equity securities valued with the equity method	-	-
6. Equity securities	-	-
7. Profit (loss) for the year	**32.107.100**	**23.903.433**
Total	**293.558.657**	**277.422.143**

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

Assets/Values	31/12/2023		31/12/2022	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt securities	-	-	-	-
2. Equity securities	-	(21.833)	-	(197.044)
3. Funding	-	-	-	-
Total	**-**	**(21.833)**	**-**	**(197.044)**

4.1.2.3 Valuation reserves for the measurement of financial assets measured at fair value with impact on comprehensive income: annual changes

	Debt securities	Equity securities	Funding
1. Opening balance	**-**	**(197.044)**	**-**
2. Increases	**-**	**175.211**	**-**
2.1 Fair value increases	-	175.211	-
2.2 Impairment losses for credit risk	-	-	-
2.3 Reversal of negative realisable reserves to the income statement	-	-	-
2.4 Transfers to other equity components (equity securities)	-	-	-
2.5 Other	-	-	-
3. Closing balance	**-**	**-**	**-**
3.1 Fair value decreases	-	-	-
3.2 Impairment reversals for credit risk	-	-	-
3.3 Reversal to the income statement from realisable gains	-	-	-
3.4 Transfers to other equity components (equity securities)	-	-	-
3.5 Other	-	-	-
4. Closing inventories	**-**	**(21.833)**	**-**

The difference is due to the adjustment, at the date of drafting of the 2023 note, of the value of Webuild S.p.A. (formerly Astaldi S.p.A.) shares.

4.2. OWN FUNDS AND SUPERVISORY RATIOS

4.2.1 Own funds

4.2.1.1 Qualitative information

1. Common Equity Tier 1 (CET1) capital.
2. Additional Tier 1 (AT1) capital.
3. Tier 2 (T2) capital.

Own Funds represent the first safeguard against the risks associated with the activities of financial intermediaries and the main benchmark for prudential institutions and for the assessments of the Supervisory Authority. The rules lay down the methods for determining own funds, criteria and limits for calculating the items of which they are composed.
Common Equity Tier 1 Capital (CET 1) consists substantially of the Company's Own Funds, as there are no deductions or prudential filters applied.

4.2.1.2 Quantitative information

	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) before application of prudential filters	**266.232.063**	**253.518.710**
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)	**266.232.063**	**253.518.710**
D. Elements to be deducted from CET1	**185.215**	**171.240**
E. Total Common Equity Tier 1 (TIER 1) (C – D)	**266.046.848**	**253.347.470**
F. Additional capital before the application of prudential filters	-	-
G. T2 Prudential filters:	-	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	-
H. Tier 2 capital (T2) grosso of the elements to be deducted (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)	**266.046.848**	**253.347.470**

Own Funds include the portion of distributable profit as at 30 June 2023 (equal to €4,8 million) as specific certification was requested from the independent auditors in order to include it when sending prudential reports to the Supervisory Body. For the allocation of profit for the year, please refer to the “Directors’ Report on Operations”.

4.2.2 Capital adequacy

4.2.2.1 Qualitative information

The adequate amount of own funds allows compliance with the adequacy of the individual solvency ratio. This requirement is expressed by the ratio between own funds and all assets weighted in relation to the degree of risk inherent in each of them.
Credit risk and operational risk are the risks that fuel weighted assets as of December 31.2023.
For credit risk, the company has chosen to use the “standardized” method, which involves dividing the loan portfolio into sub-aggregates, taking into account the counterparty and the technical form, and applying differentiated prudential treatments. Exposure weights shall be defined on the basis, where available, of the rating assigned to each counterparty by specialised credit rating agencies.
The company has recognized, in agreement with its Parent Company, Cerved Rating Agency S.p.A., as an external credit assessment agency (ECAI) to determine the weighting of credit risk in the standardized approach with regard to the “Companies and other entities” portfolio. The valuations of this agency are required for resident companies with exposure equal to or greater than 1,5 million Euro.
Factorit has identified Scope Rating AG as the ECAI to be used for the determination of risk-weighted assets in relation to exposures to Central Governments, Local Authorities, Non-Profit Entities, Public Sector Entities and Supervised Intermediaries, and has updated the changes in the ratings relating to the States in due time. Factorit, in accordance with the terms provided for by law, has communicated the change of the reference ECAI to the Supervisory Board.
With reference to credit risk, the individual ratio is 6%.

With regard to operational risk, Factorit has adopted the basic methodology: in accordance with it, the requirement is calculated by applying a regulatory coefficient, equal to 15%, to an indicator of the company's operating volume, identified as the sum of the three-year average of net banking income and the three-year average of other operating income.

4.2.2.2 Quantitative information

Item /Values	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. RISK ASSETS				
A.1 Credit and counterparty risk	4.885.879.149	4.066.514.768	3.106.407.587	2.340.627.531
B. SUPERVISORY CAPITAL REQUIREMENTS	**-**	**-**	**-**	**-**
B.1 Credit and counterparty risk	-	-	186.384.455	140.437.652
B.2 Requirement for the provision of payment services	-	-	-	-
B.3 Requirement for the issuance of electronic money	-	-	-	-
B.4 Specific prudential requirements	-	-	8.445.697	6.524.313
B.5 Total prudential requirements	-	-	194.830.152	146.961.965
A. RISK ASSETS AND SUPERVISORY RATIOS				
C.1 Risk-weighted assets	-	-	3.247.169.177	2.449.366.075
C.2 CET1 / Risk weighted assets (CET 1 Capital ratio)	-	-	8,193%	10,343%
C.3 Regulatory capital/Risk weighted assets (Total capital ratio)	-	-	8,193%	10,343%

The weighted amount of credit and counterparty risk benefited, for approximately Euro 857 million, from the use of guarantees given by the Parent Company referring to 5 primary Groups.

Section 5 *Statement of comprehensive income*

	Items	31/12/2023	31/12/2022
10	**Profit (Loss) for the year**	**32.107.100**	**23.903.433**
	Other comprehensive income that will not be reclassified to profit or loss		
20	Equity securities measured at fair value through OCI	246.742	(368.258)
	a) change in fair value	246.742	(368.258)
	b) transfers to other equity components	-	-
70.	Defined Benefit Plans	5.797	114.277
100	Income taxes related to other comprehensive income without reversal to the income statement	(73.125)	67.305
190	**Total other comprehensive income**	**179.414**	**(186.676)**
200	**Comprehensive income (Items 10+190)**	**32.286.514**	**23.716.757**

Section 6 *Related party transactions*

6.1 Information on the compensation of executives with strategic responsibilities

The total amount for the year 2023 referring to the Directors and members of the control bodies amounts to Euro 286.884.

6.2 Loans and guarantees granted to directors and statutory auditors

They are not present for the 2023 financial year.

6.3 Information on Transactions with Related Parties

6.3.1. Transactions with Parent Company and Associates

Receivables from banks

Banca Popolare di Sondrio S.p.A.	Amount
Ordinary bank account – Euro	186.016
Ordinary bank account – Foreign currency	26.155
Without recourse factoring receivables	40.911
Receivables for tax consolidation	7.491.596
Property and equipment - Rights of use acquired through leasing	594.099
Principal accounts	251.526
Total	**8.590.303**

Due to banks

Banca Popolare di Sondrio S.p.A.	Amount
Ordinary C/C	146.260.452
Hot Money	2.800.000.000
Hot Money Accrual	6.835.843
Accrued	639.346
Commissions to be paid	1.846.159
Supplier Invoices	224.265
Payables for tax consolidation	7.187.123
Leasing payables	609.639
Total	**2.963.602.827**

Receivables from customers

Sinergia Seconda S.r.l.	Amount
Property and equipment - Rights of use acquired through leasing	15.861.899
Total	**15.861.899**

Rent2go S.r.l.	Amount
Property and equipment - Rights of use acquired through leasing	52.136
Factoring receivables	14.744
Total	**66.880**

Due to customers

Sinergia Seconda S.r.l.	Amount
Leasing payables	16.039.870
Total	**16.039.870**

Rent2go S.r.l.	Amount
Leasing payables	51.147
Total	**51.147**

Costs – banks

Banca Popolare di Sondrio S.p.A.	Amount
Interest expense	76.829.232
Interest expense on lease payables	7.141
Depreciation of rights of use acquired through leasing	238.360
Passive commissions - expenses	31.652
Commissions payable - factoring	1.846.159
Commissions payable - sureties	1.433.145
Charges for rents (expenses)	8.656
Outsourced Functions	1.235.000
Directors' fees	24.000
Total	**81.653.345**

Revenue – banks

Banca Popolare di Sondrio S.p.A.	Amount
Interest income - bank account	36.473
Seconded personnel	773.692
Total	**810.165**

Cost - customers

Sinergia Seconda S.r.l.	Amount
Charges for rents	247.791
Interest expense on lease payables	174.534
Depreciation of acquired lease rights of use	1.007.104
Total	**1.429.429**

Rent2go S.r.l.	Amount
Interest expense on lease payables	1.092
Depreciation of acquired lease rights of use	30.083
Other administrative expenditure (motor vehicles)	65.115
Total	**96.290**

Revenue - customers

Rent2go S.r.l.	Amount
Interest income	1.604
Commissions receivable	175.551
Seconded personnel	158.285
Other income	2.405
Total	**337.845**

Section 7 *Leasing (Lessee)*

QUALITATIVE DISCLOSURE

Contracts that fall under the application of IFRS 16 can be grouped into two distinct categories:

a) real estate, which is the most relevant case;
b) passenger cars.

In line with the provisions of IFRS 16, rights held under license agreements that continue to be accounted for in accordance with IAS 38 – Intangible assets are excluded from the scope of IFRS 16.
Leasing contracts mainly relate to real estate intended for the headquarters of the Company or its subsidiaries (contracts entered into with the Parent Company or Group companies) and generally have a duration of more than 48 months with renewal options. The rent is updated annually starting from the second year of the lease to the extent of 75% or 100% of the change in the consumer price index for blue-collar and white-collar households (FOI). With regard to car leasing contracts, these typically have a three-year duration without renewal and/or purchase and payment on a monthly basis.
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.
Part B of the notes to the financial statements contains information on rights of use acquired through leasing (Table 8.1 - 8.6 Part B, Assets) and on lease payables (Table 1.1 Part B, Liabilities). In particular, the rights of use acquired through the lease amounted to €16,6 million, while the lease payables amounted to €16,7 million.
Part C of the notes to the financial statements contains information on interest expense on lease payables. Please refer to that section for more details.
As indicated in Part A of the financial statements, the Company avails itself of the exemptions permitted by IFRS 16 for short-term leases and leases of small value assets, the costs of which, excluding costs relating to leases with a duration of one month or less, amounted to Euro 2.280 during 2023.

QUANTITATIVE INFORMATION

In accordance with paragraph 53 of IFRS 16, the following information is provided in the table below broken down by the type of asset of the right of use:

Assets/Values	Right of use value 01/01/2023	Amortization	Other changes	Carrying Amount at al 31/12/2023
Real estate	17.788.476	(1.265.257)	6.605	16.529.824
Cars	64.008	(30.083)	18.212	52.137
Other types	-	-	-	-
Total	17.852.484	(1.295.340)	24.817	16.581.961

With regard to "Other variations", the impact is mainly related to the determination of the rights of use values as a result of the ISTAT adjustments and to the opening and closing of contracts.

Section 8 *Other information details*

In compliance with the disclosure obligation provided for by art. 2497-bis of the Italian Civil Code, the summary data of the latest approved financial statements of the Bank, which carries out management and coordination activities, are shown below.

FINANCIAL STATEMENT
(Euro)

Assets	31/12/2022	31/12/2021
10. **Cash and cash equivalents**	**5.988.587.809**	**4.703.889.378**
20. **Financial assets measured at fair value through OCI**	**1.265.271.071**	**1.458.703.687**
a) financial assets held for trading	167.091.231	202.413.061
c) other financial assets compulsorily measured at fair value	1.098.179.840	1.256.290.626
30. **Financial assets at fair value through OCI**	**2.552.450.859**	**3.098.860.630**
40. **Financial assets measured at amortised cost**	**39.519.378.873**	**38.247.794.841**
a) with banks	3.842.174.996	4.846.046.900
b) with customers	35.677.203.877	33.401.747.941
50. Hedging derivatives	**247.973**	**-**
60. Change in value of macro-hedged financial assets (+/-)	**(197.821)**	**-**
70. **Equity Investments**	**695.768.070**	**612.881.184**
80. **Property and equipment**	**387.794.652**	**397.699.575**
90. **Intangible assets**	**15.241.789**	**15.705.531**
100. **Tax assets**	**307.977.292**	**289.532.693**
a) current	15.588.448	7.046.019
b) deferred	292.388.844	282.486.674
120. **Other activities**	**1.786.775.650**	**810.729.046**
Total assets	**52.519.296.217**	**49.635.796.565**

Liabilities and Equity	31/12/2022	31/12/2021
10. **Financial liabilities measured at amortised cost**	**48.509.904.000**	**45.539.331.233**
a) Due to banks	10.350.930.945	9.689.126.033
b) Customer deposits	34.541.008.874	32.176.500.378
c) Securities issued	3.617.964.181	3.673.704.822
20. **Financial liabilities held for trading**	**47.579.043**	**22.795.622**
40. **Hedging derivatives**	**115.899**	**-**
60. **Tax liabilities**	**19.948.705**	**28.200.195**
a) current	-	-
b) deferred	19.948.705	28.200.195
80. **Other liabilities**	**755.194.523**	**916.805.041**
90. **Post-employment benefits**	**33.238.555**	**37.821.567**
100. **Provisions for risks and charges**	**280.458.030**	**258.856.209**
a) Commitments and guarantees given	62.771.976	42.904.110
b) pension and similar provisions	158.507.633	164.886.732
c) other provisions for risks and charges	59.178.421	51.065.367
110. **Valuation reserves**	**(30.086.242)**	**52.087.552**
140. **Reserves**	**1.276.171.128**	**1.153.959.091**
150. **Share premium**	**78.977.670**	**79.005.128**
160. **Share Capital**	**1.360.157.331**	**1.360.157.331**
170. **Treasury shares (-)**	**(25.264.093)**	**(25.321.549)**
180. **Profit (loss) for the year (+/-)**	**212.901.668**	**212.099.145**
Total liabilities and equity	**52.519.296.217**	**49.635.796.565**

INCOME STATEMENT
(Euro)

Income Statement items	31/12/2022	31/12/2021
10. Interests and similar income	726.504.232	554.081.281
of which: interest income calculated using the effective interest method	716.850.823	545.930.738
20. Interest and similar charges	(144.295.504)	(107.238.358)
30. Net interest income	**582.208.728**	**446.842.923**
40. Fee and commission income	346.786.890	322.497.371
50. Fee and commission expense	(15.596.310)	(12.669.722)
60. **Net fee and commissions income**	**331.190.580**	**309.827.649**
70. Dividends and similar income	35.542.567	22.262.886
80. Net profit on trading	18.514.076	50.590.460
90. Net result from hedging activities	(32.261)	-
100. Gains (losses) on disposal or repurchase of:	40.823.903	46.616.556
(a) financial assets measured at amortised cost	28.971.501	32.878.373
b) financial assets measured at fair value through OCI income	11.847.612	13.756.106
(c) financial liabilities	4.790	(17.923)
110. Net income on financial assets and liabilities at fair value through profit or loss	(66.299.580)	23.752.704
b) Other financial assets required to be measured at fair value	(66.299.580)	23.752.704
120. **Total Income**	**941.948.013**	**899.893.178**
130. Net adjustments/write-backs for credit risk related to:	(158.407.824)	(140.242.538)
(a) financial assets measured at amortised cost	(158.047.658)	(141.251.457)
b) financial assets measured at fair value through OCI	(360.166)	1.008.919
140. Profit/losses from contractual changes without derecognition	3.565.479	(6.098.547)
150. Net financial income	**787.105.668**	**753.552.093**
160. Administrative costs:	(474.297.535)	(471.609.050)
(a) personnel expenses	(205.543.369)	(208.575.438)
(b) Other administrative expenses	(268.754.166)	(263.033.612)
170. Net accruals to provisions for risks and charges	(30.527.436)	(460.303)
(a) Commitments for guarantees given	(19.867.865)	15.396.891
(b) other net accruals	(10.659.571)	(15.857.194)
180. Depreciation and net impairment losses on property and equipment	(32.390.758)	(32.145.524)
190. Amortisation and net impairment losses on intangible assets	(14.655.422)	(14.502.720)
200. Other operating expenses/income	62.636.314	67.599.038
210. Operating Costs	**(489.234.837)**	**(451.118.559)**
220. Gains (losses) of equity investments	1.018.573	(894.887)
230. Net result from fair value measurement of property, plant and equipment and intangible assets	118.000	(271.952)
250. Profits (Losses) on disposal of investments	12.328	113.326
260. Pre-tax profit from continuing operations	**299.019.732**	**301.380.021**
270. Taxes on Income from continuing operations	(86.118.064)	(89.280.876)
280. Post-tax profit (Loss) from continuing operations	**212.901.668**	**212.099.145**
300. Profit (Loss) for the period	**212.901.668**	**212.099.145**

In compliance with art. 149-duodecies of the Consob Issuers' Regulation, the prospectus containing the fees for the year is attached, for the services provided by the following parties:

Service provider	Service provider	Fees
Auditing services	EY S.p.A.	64.481

The above values do not include VAT and charges.

Report of the Board of Statutory Auditors
to the financial statements for the year ended 31st, 2023

Distinguished Shareholder,

in accordance with the provisions of Article 2429, paragraph 2, of the Italian Civil Code, as well as in compliance with the provisions of the Articles of Association, the provisions in force for companies registered in the Register of Financial Intermediaries pursuant to art. 106 of the Consolidated Banking Act (TUB) and the principles of conduct issued by the National Council of Chartered Accountants and Accounting Experts, with this Report the Statutory Auditors illustrates the activities performed in 2023, including supervision of compliance with the law, the bylaws and the correct principles of administration in the management of the Company, as well as the adequacy of the organizational structure and internal control systems.

Throughout the 2023, the functions of the Supervisory Body pursuant to Legislative Decree 231/2001 have been entrusted to an independent body set up for this purpose; On 26 January 2024, the Board of Directors resolved to assign this function to the Board of Statutory Auditors, pursuant to art. 6, c.4-bis of the same Legislative Decree as well as art. 23 of the Articles of Association.

With regard to compliance with the law and the bylaws, we would like to point out that, during the 2023 financial year, the Directors operated 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 behaviours that are different or in contrast to the decisions taken by the Directors.

We participated in all 8 (eight) meetings of the Board of Directors as well as in the Shareholders' Meeting (one) held during the year, thus being able to confirm that the same meetings were convened and held in compliance with the rules governing their operation.

The Board also interacted with the Supervisory Body, both through 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 issues of common importance and, in particular, on the safeguards of the risks of committing offences provided for in the reference legislation; the verifications carried out by this Body have not revealed any conduct that was not in line with or not in compliance with the principles and requirements contained in Model 231/2001.

We would also like to point out that during the 2023 financial year, the Board of Statutory Auditors met 15 (fifteen) times.

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. During 2023, activities relating to fiscal and tax requirements were outsourced to the Parent Company, resulting in a consequent change in the organisational structure of the internal control system, for whom the Statutory Auditors did not identify any critical issues to be reported; furthermore, the Company, as a member of the Banca Popolare di Sondrio Banking Group, following the 40th update of Bank of Italy Circular 285/2013 on prudential supervision, with regard to risk management measures relating to the use of Information and Communication Technologies (ICT) and the security measures that banks must adopt, shared responsibilities and the related ICT Risk tasks between the Risk Control Function and the Compliance Function.

Overall, we did not detect any organizational deficiencies to bring to your attention.

With regard to the monitoring of the adequacy of the internal control, we operated using the Company's competent structures and the Parent Company, as well as Unione Fiduciaria 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 internal control system and its consistency with reference to both the provisions and guidelines issued by the Parent Company and the relevant regulations issued by the Supervisory Authority; as far as our competence, we have not found the presence of critical issues to bring to your attention.

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

In October, we have been informed by the Company that Unipol Gruppo S.p.A. has acquired an indirect qualified holding in the capital and voting rights of Factorit, following the completion, in September 2023, of the acquisition of shareholdings equal to 10.2% of the share capital and voting rights of Banca Popolare di Sondrio S.p.A.

In the Directors' Report and in the Notes to the Financial Statements, the Board of Directors provided adequate information on the impacts of the increased geopolitical instability resulting from the Russian-Ukrainian conflict and the conflict between Hamas and Israel, the escalation and subsequent phase of attenuation of inflation with the related repercussions on interest rates, which are still maintained at high levels by Central Banks, as well as transactions of greater economic, financial and equity importance carried out by the Company during the year, including those with related parties. It also provided appropriate information on events subsequent to the balance sheet date as at 31.12.2023, highlighting in particular the computer fraud ascertained on 6 February 2024, which consisted of the transfer of funds to a non-EU country for a total of over €4 million; in this regard, given that the event has no impact on the 2023 financial statements, the Board of Statutory Auditors has conducted its Supervisory activities, aimed at investigating the causes and circumstances of what occurred, and can affirm that it has not found the presence of critical issues in the IT and management procedures in place.

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. (pursuant to Article 2409 bis of the Italian Civil Code).

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

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

We can therefore certify that the financial statements that the Directors submit to you for approval have been prepared in accordance with the specific provisions ruling their preparation and that they have been drawn up in accordance with the IAS/IFRS international accounting standards adopted by the European Union. As regards the representation schemes, it complies with the formal requirements for credit and financial institutions.

With regard to the Directors' Report, we acknowledge that the Independent Auditors carried out the procedures determined by the auditing standard (SA Italia) no. 720B, confirming that the annual report is consistent with the financial statements of Factorit S.p.A. as at 31 December 2023 and is prepared in accordance with the law. The Independent Auditors confirm that with reference to the declaration pursuant to art. 14, c. 2 left, e) of Legislative Decree 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 taking note that the audit report issued by EY S.p.A. does not contain any issue regarding 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 considered fulfilled the going concern assumption, as far as we are concerned, we express a favourable opinion on the approval of the financial statements for the year 2023 and the proposal made by the Directors regarding the allocation of the net profit.

Milan, 29th March 2024

THE STATUTORY AUDITORS

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Dott. Daniele Morelli
Dott. Luigi Gianola

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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, 2023 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing Article 43 of Legislative Decree n. 136, dated August 18, 2015.

Basis for opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Compliance with Other Legal and Regulatory Requirements

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

The directors of Factorit S.p.A. are responsible for the preparation of the Report on Operations as at December 31, 2023, 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, 2023 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, 2023 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, 2024

EY S.p.A.
Davide Lisi
(Auditor)

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

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